



CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

Paper for the Board 22 March 2013

Proposed Budget Strategy 2013/14

1. AIM AND PURPOSE

- 1.1 To set out for the Board the proposed budget strategy for the Cafcass Revenue Budget for 2013/14, for consideration and approval.

2. RECOMMENDATIONS/ACTION FOR THE BOARD

- 2.1 To agree the proposed Budget Strategy for 2013/14.

3. OVERVIEW

- 3.1 The 2013/14 Cafcass budget was notified on 12 March 2013, and is within the range anticipated and in line with the preparatory work carried out and the draft budget allocations for 2013/14 recently signalled to budget holders throughout Cafcass. The allocation is £125.07 million, made up of £114 million programme budget and a £11.07 million admin element.
- 3.2 The weighted workload model has been retained as the intended mechanism for the distribution of resources between local service areas. Items requiring to be topsliced, where the workload model is not relevant, have been kept to a minimum, so maximising funds available to support service delivery. This budget strategy has been successful and in line with Board and Government policy to ensure the maximum resource is put into front line teams and services.

4. DEFINING THE BASELINE BUDGET

- 4.1 The overall level of commitments in 2013-14 and the main changes to them are set out below. These give rise to a spending requirement of £129m. This compares to the 2012/13 revenue grant of £126m.

| | £'000 |
|---|----------------|
| Budget 2012-13 (excluding depreciation) | 126,232 |
| Estimated Pay, Tax and pension increases (note 4.2) | 1,800 |
| General inflation impact (note 4.3) | 0,500 |
| Initial spending requirement | 128,532 |

- 4.2 The annual revaluation of the West Yorkshire Pension Scheme took place at the end of the 2010/11. This valuation determined the revised rate of Employers Pension Contributions for the three years ended 31 March 2014. The level of employer's contribution was restructured from 2011/12 to create a fixed percentage charge of 15.2% of payroll and a rising cash contribution of £2.506m, 3.179m and 3.825m across the three financial years respectively. Thus the increase for 2013/14 is £0.646m. The balance of increased staff costs of £1.2m is to provide for any remaining pay progression where staff have not yet reached target pay and provide limited support to any increase in pension contributions arising from the new auto enrolment arrangements.

- 4.3 A general inflation estimate of £0.500m has also been included particularly in relation to contracts with annual increases built in.
- 4.4 In addition to unavoidable costs highlighted in paragraph 4.1 above, provision also needs to be made to continue progress with the Cafcass Estates Strategy. The cost of high priority projects in the next financial year is estimated at £1m. These projects include two properties where the landlord has already given notice to vacate the premises (Manchester and Poole), necessitating moves.
- 4.5 In addition to the Estates programme, costs associated with completion of the Future Working Programme have been estimated at £1.5m. The spend profile of this programme is dependent on the degree of progress that can be made with the key projects in the programme during the final quarter of the current financial year.
- 4.6 A number of non recurrent budgets were included in the 2012-13 budget setting process, such as the Improvement Fund as well as the equivalent annual programme items in 4.4 and 4.5 above. The impact of these adjustments and other savings items in hand is set out below.
- 4.7 The spending requirement retains a Corporate Contingency of £2m, primarily for operational pressures which cannot be predicted in a demand-led service such as ours.

| | | | Total |
|--|-----------------------------------|--|----------------|
| Standstill Position | | | £m |
| 2012-13 grant level | | | 126.232 |
| Unavoidable pressures: | | | |
| | Pay award and pension | | 1.8 |
| | Contractual inflation | | 0.5 |
| Initial spending requirement | | | 128.532 |
| Investments 2013/14 | | | |
| | Contingency reserve | | 2 |
| | Year 2 FWP | | 1.5 |
| | Estates | | 1 |
| Removal of items from base budget | | | |
| | Estates projects 2012/13 | | -1.5 |
| | Year 1 FWP | | -2.5 |
| | Improvement and contingency funds | | -3.5 |
| Equivalent 2012-13 grant level | | | 125.532 |

- 4.8 A limited restructure of national office functions including the departure of two members of the Corporate Management Team, where their responsibilities are being redistributed has enabled a reduction in staff costs in their respective budget areas. A separate paper on this agenda goes into detail about the corporate support service being established and the need to ensure sufficient corporate capacity to discharge all corporate functions.

- 4.9 A number of technology investments, separate to the planned items within the Future Working Programme have also been made and these bring about a consequent reduction in running costs in future years. In particular work on consolidating the means by which various data and applications are stored and their resilience improved, together with restructuring the telephony and replacement of laptops will reduce running costs in total by £1.2m.
- 4.10 Projects in the 2012/13 estates programme have also given rise to a direct reduction in premises running costs, separate to any benefits to service delivery that arise where co-location of teams has taken place.
- 4.11 The impact of these reductions is set out in the table below.

| | | |
|---------------------------------------|---|----------------|
| Equivalent 2012-13 grant level | | 125.532 |
| Planned for savings: | | |
| | LOB server consolidation | -0.3 |
| | Estates projects - new running cost savings | -0.06 |
| | HQ restructure | -0.3 |
| | VOIP restructure | -0.2 |
| | Windows 7 devices refresh | -0.5 |
| Revised expenditure level | | 124.172 |

- 4.12 These planning assumptions are consistent with the grant allocation subsequently notified, save for a circa £400,000 additional grant, which will be used to support operational pressures and service improvements, particularly those which will support lower running costs in future years.

5 DEFINING THE DISTRIBUTABLE AMOUNT

- 5.1 Items requiring to be topsliced, where the workload model is not relevant, have been kept to a minimum, thereby maximising funds available to support service delivery. The amount available for distribution to operations is set out below, showing the items requiring to be deducted, either for delegation separately or for retention at national or corporate level.

| | £'000 | £'000 |
|---------------------------------|---------|-----------------|
| Assumed Grant 2013-14 | | £124,000 |
| Topsliced Items: | | |
| HQ budgets | £20,752 | |
| NBC | £4,300 | |
| NIS | £1,700 | |
| Accommodation | £7,000 | |
| OAT | £700 | |
| London Weighting | £850 | |
| Training | £300 | |
| Estates | £1,000 | |
| FWP | £1,000 | |
| Corporate Contingency | £2,000 | |
| | | £39,602 |
| Balance for distribution | | £84,398 |

- 5.2 These scenarios coincide with an ongoing period of unpredictable implications arising from the changes within the wider family justice system. In particular in private law,

legal aid changes will have an uncertain impact, both in relation to the number of new applications as well as how applications from self-represented parties will be handled. The prediction of a continuing increase in care applications is likely to counterbalance any saving in professional time through a further lowering of average care case duration. The impact of the revised Public Law Outline in the run-up to the implementation of important new family justice legislation in April 2014, is also potentially significant and as yet unquantifiable. Our strategy for the past three years has been to manage increased workload without increased resources through improving productivity and this strategy will continue, as this has given us an established resilience when external circumstances change.

6 KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

- 6.1 These planning assumptions have enabled operational area funding to be set and allocations to be notified to the relevant budget holders. As a result, detailed service area spending plans are in place. The approach is also consistent with that of prior years where minimal funding is withheld for essential and unavoidable national and corporate expenditure, so making the maximum funding available to operational managers with built-in flexibility to move funding around to areas and teams under greatest pressure.

7 BENEFITS FOR CHILDREN

- 7.1 Children will benefit from a stable budget, coherent planning and high quality services delivered on time. The proposed budget supports those objectives.

8 FINANCIAL ANALYSIS

- 8.1 This paper sets out the strategy for budget setting for the new financial year. Analyses of funds available, anticipated commitment levels and the proposed distribution of resources across major areas of spending have all been set out within the paper.

9 RISK ANALYSIS

- 9.1 In setting out the budget proposed here, an assessment has been carried out of the material areas of additional spending, and expenditure reductions that may impact on the organisation during the course of the 2013/14 financial year. This process will not have taken account of every instance of changes in the levels of expenditure and income but will have addressed the main items likely to have an impact.
- 9.2 The budget remains vulnerable in relation to three main risks. Firstly, that there is a material change in any of the assumptions regarding the nature and volume of work undertaken. Secondly, that assumptions made in relation to the cost of activities prove unachievable, in particular, the assumptions on workforce spending. We will continue to analyse performance of spend against budget both by type of expenditure and service area to identify any trends in this respect. Finally, that a cost arises that has not been considered during this process that is either extraordinary in nature and/or exceptional in size. Again, while our regular budget monitoring processes would reveal such an expenditure, the fact such a liability had arisen would also have been drawn to the attention of the Corporate Management Team for approval within the current scheme of delegation.
- 9.3 Managing any negative consequence of any of the above items occurring will as far as possible take place within respective local budgets, by considering opportunities to reduce and/or delay expenditure in areas not critical to service performance and delivery. Where this is not feasible, the Corporate Management Team will consider the same approach across national and functional budget areas. Use of the contingency budget will form part of this assessment.

- 9.4 Finally, if it becomes clear the pressures can not be contained within the budget, the Accounting Officer will consider a recommendation to make an application for the use of Year End Flexibilities but this has not been needed in recent years through prudent financial management.
- 9.5 The Cafcass Board will be considering medium-term financial risk at its meeting in April 2013, including the way in which future demands on our service are modelled and contingency plans if demand exceeds resources at any point in the next 2-3 years. This strategic focus by the Board will also consider ways in which it considers future efficiencies might come from Cafcass and also from a potential redistribution of resources within the wider family justice system into clearly defined operational priorities.

10 DIVERSITY ANALYSIS

- 10.1 Ensuring Equality and Diversity consideration are central to all our work is a strategic and operational priority for Cafcass. In much the same way as ensuring the objectives of benefits for children are met through sound financial planning and management, so the active management of spending against a properly constructed budget will help to ensure an equitable distribution of resources to enable equality of access to Cafcass services.

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5 March 2013