CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

Paper for the Board 1 March 2013

JANUARY ACCOUNTS AND UPDATED OUTTURN FORECAST 2012-13

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1. AIM AND PURPOSE

1.1 To provide the Board with the updated forecast financial position for the current financial year until 31 March 2013, including the January 2013 management accounts.

2. RECOMMENDATIONS/ACTION FOR THE BOARD

2.1 To note the year to date and full year financial forecast positions.

2.2 To note progress in preparation of the revenue budget for 2013-14.

3. SHORT SUMMARY

3.1 The organisation's budget holders have delivered their updated financial forecast for 2012-13. These forecasts indicate expenditure remaining within budget overall by the end of the financial year. The January 2013 management accounts show a lower level of expenditure in the first ten months of the year compared to budget. The Statement of Financial Position reflects the lower level of spending with reduced creditors and prepayments. The forecast cash position shows funds available for drawdown will be sufficient for the expected spending level. The forecast also indicates the split of spend between admin and programme will be broadly in line with their respective limits. The January results also indicate a small credit level of Annually Managed Expenditure (AME).

4. BACKGROUND

4.1 Overall, the operational service areas are forecasting an underspend position (£0.847m). This is a reduction in forecast spending compared to previous reports mainly as a result of a final review of assumptions regarding recruitment of permanent staff into vacant and/or temporary posts. While in part this reflects the underlying variability inherent in this area of spend it is also consistent with a prudent approach to taking on any new commitments in the context of the continuing uncertainty regarding our level of funding for 2013/14. Overall this is consistent with the delivery of a clear strategy to restrict spending this year to the essential minimum level, as far as this could be done safely, in preparation for a potentially lower revenue budget in 2013/14. The overall position across National Office and Centralised budgets reflects an overspend resulting from the implementation of previously agreed and additional measures to ensure all funds are used up in the current year. Further detail about this is set out from paragraph 4.3 below. These measures maintain an unallocated contingency level in the order of £0.300m to manage any remaining spending pressures in the remainder of the financial year. Depreciation is shown as a separate line as funding from the sponsor for this item matched to actual spend (funding level £1.2m). Tables 1 and 2 set out the detailed analysis of the financial position by type of spend, admin/programme splits and budget holder summaries.

4.2 A summary of the budget spent to date, funds remaining and the forecast position is set out below:

	£m
Allocated budget April to January 2013	104,167
Expenditure April to January 2013	100,591
Underspend at 31 January 2013	3,576
Allocated budget for remainder of year	24,790
Forecast spend for remainder of year	28,366
Overspend for remaining of year	(3,676)
Net of accumulated position at January 2013	0
Unallocated contingency	300
Funds available for distribution	**300**

4.3 At its meeting on the 7th December 2012, the Board received further information on the prioritisation of unallocated funds held across the Contingency and Improvement Fund budgets. The table below sets out progress in use of funds against those priorities.

Description	**Proposed 2012/13 £'000**	**Actual 2012/13 £'000**	**Note**
Consolidation of application servers	0.450	0.450	
Cash for Change improvement work direct to Service Areas (average £60k per area)	1.000	0.300	
Restricted voluntary severance programme, to support service improvement and lower revenue costs from April 2013	1.400	0.450	4.5
Implementation of programme of additional estates projects to improve prospects for disposal and continue consolidation on to fewer sites	0.475	0.801	
Retained contingency to deal with in year pressures	0.450	0.300	
Resolution of disputed liabilities	0.500	1.000	4.6

4.4 In addition to the use of unallocated funds, the reduction in spending in local service areas has enabled additional investment in the Future Working Programme on an invest to save basis to ease pressure on revenue budgets in future years. In particular this underspend has enabled early initial investment in the refresh of laptops and a consolidation of data storage across a number of IT applications. Further, the change in the forecast underspend has enabled the implementation of improved security to the exchange of electronic information with agencies and professionals not working on the Flex secure network and/or who do not have their own secure email registration.

4.5 Expenditure on severance encompasses a small number of staff who on an individual basis can be released. Assessments have been made in relation to each member of staff to ensure the impact on service delivery can be managed within the subsequent reduced revenue budget available to the local service in question. This includes some support staff where part of the resourcing of the ongoing costs arising from developments within the Future Working Programme will come from a reduction in the overall level of business support staff. The reduction in funds needed to enable these changes has arisen through a large proportion of the staff affected leaving without the need for formal procedures or redundancy provision.

4.6 Another one-off expenditure we have been able to make in line with this strategy relates to a long standing dispute regarding financial responsibility for software upgrades to be split on an agreed basis between the Flex partners. Previously the amount provided represented the estimated share of 2012/13 expenditure but negotiations are underway to facilitate a single contract change on a full and final basis to resolve the matter of liabilities for the duration of the contract.

4.7 While the level of unallocated budget is shown above at £0.3m, the overall financial position remains vulnerable to any material changes in forecast assumptions, particularly in the area of the Future Working Programme. Estimates of spend that can be properly delivered within the current financial year are dependent on the delivery of the projects within the programme which are complex and technically demanding so every effort is being made to support capacity both within Cafcass and our ICT providers to maximise the work completed in this financial year. We are also having to calculate the risk of committing some 2012/13 funding where a programme extends into 2013/14 with financial requirements continuing into next year.

4.8 Previous finance papers to the Board have included the option of an additional payment into the Cafcass Pension Scheme. This remains a viable option through discussion would be needed towards the end of the financial year with DfE, MOJ and the NAO before a recommendation could be put to the Board. Depending on the outcome of these discussions, a proposition to put money into the Pension Fund on this basis, or an alternative option, may be put to the Board at the end of March 2013.

4.9 The Statement of Financial Position shows an excess of liabilities over assets due to the inclusion of the Pension Scheme deficit, which remains at its 31 March 2012 valuation pending revision. Fixed Assets show reductions in relation to the disposal of a number of items of IT equipment including laptops, printers and telephony where these are no longer fit for purpose. Trade receivables and payables vary with the timing of payments, including prepayments. The cash position is consistent with the year end position and remains within the tolerance for cash holding set by the sponsor. The cash flow forecast indicates sufficient cash available for draw down to meet spending commitments.

5. REVENUE BUDGET 2013-14

5.1 At the time of writing we remain in a position of significant uncertainty about next year at a point when we would expect to be able to conclude detailed financial planning with individual budget holders about their resource requirements and likely funding. Work has progressed using a prudent assumption regarding possible grant levels for next year to enable budget holders to produce local plans while at the same time retaining a limited degree of flexibility, should the assumptions prove wrong and some rework be required. Elsewhere on the Board agenda the Strategic Risk Register identifies this as the single highest rated risk, in particular in the event there was a substantial further reduction in funding that would require more radical changes to be made very quickly - this in the context of continuing overall growth in demand and a high percentage of practitioners with high red and high amber workloads.

6 KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

6.1 The financial position of the organisation remains vulnerable to significant increases in demand for services, reinforcing the need to maintain close scrutiny of results and the corporate and local strategies already in hand for the remainder of the financial year. This creates a tension with the need to ensure funds are fully utilised in the current financial year as there is no provision for carrying forward unused funds. The level of contingency and unallocated improvement funds is now much reduced. Deliverable spending plans are needed to ensure the remaining contingency can continue to be quickly and effectively used to support service delivery, including transformational activities, through to the end of the current financial year and on one-ff invest-to-save items.

7 BENEFITS FOR CHILDREN

7.1 The delivery of safe, high quality and timely services remains a key objective for the service. In order to achieve this, a budget plan is needed that is sufficient in size and appropriately allocated across functions and geographic areas to ensure resources are available to support service delivery. This paper reinforces the need for continuing management and scrutiny of the organisation’s spending plans and performance against it.

8 FINANCIAL ANALYSIS

8.1 The attached Appendices set out the detailed analysis of the Quarter 3 forecast.

9 RISK ANALYSIS

9.1 The underlying position across National Office budgets is generally less volatile than that in service areas with fewer variable costs and the absence of demand driven spending. There are greater risks in the forecast position for local service areas. The direction of travel is towards lowering commitment levels in particular to position the organisation in as strong a starting point as possible to manage the impact of any funding reductions in future financial years. The budget for the current year also includes funds for the Future Working Programme. This programme is complex with a number of challenging pieces of work to deliver within a timescale that ensures funds set aside are fully used.

10. DIVERSITY ANALYSIS

10.1 Ensuring Equality and Diversity strategies and delivery are central to all our work is also a key objective for the service. The active management of spending against a properly constructed budget will help ensure an equitable distribution of resources to enable equality of access to services.

11. COMMENTS FROM THE HEAD OF LEGAL SERVICES

11.1 Not required.

12. COMMENTS FROM THE DIRECTOR OF HR SERVICES

12.1 Not required.

Julie Brown, Director of Finance
14 February 2013