CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE
BRIEFING FOR THE MOJ ON THE CURRENT FINANCIAL POSITION

KEY POINTS

- Spending levels during the first nine months of the current year are in line with our higher budget this year which was allocated in recognition of continuous increases in demand for our frontline services.
- Our latest estimate of the costs of maintaining sufficient workforce capacity to meet both allocation and our key performance indicators, indicate a potential overspend by the end of the year in the range of £0.5m to £0.75m (0.4% - 0.6% of grant in aid). Approval for this has been sought from the Ministry of Justice and a decision is pending.
- All opportunities to mitigate down to this level and to further reduce the overspend are being explored and acted on to the extent these actions will not compromise service delivery.
- We do not believe these demand driven current budget pressures will increase our related spending requirements for 2018/19 as previouly submitted to the Department.
- We do however have concerns about the outcome of the local authority pay review and its consequences for our employee offer remaining competitive within the current financial plans for 2018/19.

1. EXPECTED FINANCIAL POSITION FOR THE CURRENT YEAR

1.1 The management accounts for the nine months to the end of December 2017 show spending ahead of budget by £2.4m. This partly reflects the timing of spend compared to when spend has been profiled to fall, particularly in relation to IT costs (£0.6m) and also the backdated pay award (£0.8m), which was processed in December 2017. The position on operational area spending is an overspend of £1.2m which includes the majority of the backdated pay award, but also now reflects the underlying budget pressure where the expected workforce costs are running above the budgeted level.

1.2 We had anticipated a potential overspend at year end of £0.5m but with demand rising again in January 2018, pushing further towards and after year end the earliest opportunity to release agency staff, this position has the potential to rise towards £0.750m. This takes into account a number of assumptions about our ability to drive down spending in parts of the budget other than frontline staffing and also being successful in accessing a small element of the current MOJ Capital underspend. This position also includes a change in accounting treatment for annual leave arising during the financial year but not taken by the end of the year. These are explained in more detail below at 1.4. The budget pressures described here were identified during December 2017 and then verified in early January 2018 and further discussions have been held with budget holders and through CMT to test the safety of taking actions to mitigate the budget pressure fully.

1.3 Our policy of ongoing active recruitment has been in place now for twelve months and has proved successful in mitigating the FTE deficit that underpinned the business case for additional funding in the current financial year. One of the most significant challenges for managers to reconcile is the maintenance of capacity to enable work to be allocated with the induction of new members of employed staff who join with a limited period of protected caseloads. This is to ensure new starters are fully up to speed with the very different role requirements in Cafcass in both public and private law, for which their prior training in local authorities has not prepared them for. This transition invariably takes around 3 months and it creates two tensions, both with related financial consequences. Firstly, that the new employed practitioner gradually builds a caseload meaning some work must continue to be allocated to flexible workforce, who would otherwise be released once the permanent employee has been recruited. Secondly, once allocated, the flexible worker remains the named officer on the case until it has concluded. Thus, there is an inevitable duplication of spend between the full-time salary of the employed practitioner together with the hours chargeable by the flexible worker to whom cases have been allocated to closure. Our analysis of spending on workforce indicates a net current excess of FTE of c22 across the country with a cost in the current financial year of c£1.2m. Of this, c£0.9m represents the equivalent payroll cost of the new practitioners for the period of time during which they are allocated fewer cases, gradually building up to a full caseload after typically three months.

1.4 We are looking at a number of measures to reduce or halt spending in the last three months of the year. These include a review of travel and training activities and where possible accelerating the termination of flexible workforce contracts but only where safe to do so in relation to allocation of incoming work and meeting our key performance indicators. Any opportunities to defer other non-workforce spending are also being examined. In particular, the net forecast overspend makes the following assumptions, in relation to which MOJ confirmation is sought.

1.4.1 That we are able to access capital funding in the order of £0.690m in relation to expenditure on ICT equipment and applications currently charged to revenue where hardware has historically been provided as a service but where transition to a new supplier takes place in June 2018 these assets will return to Cafcass for onward transfer to the incoming supplier. Of this £0.250 may come through the completion of the proposed sale of our long leasehold over the currently vacant Southampton offices. If the proceeds are received by the end of March 2018 then we would seek to retain these and reduce the call on the MOJ capital fund by an equal amount. If the proceeds are delayed into the new financial year then we would be able to surrender these to the MOJ capital programme.

1.4.2 We are proposing a revision to the accounting treatment of annual leave accrued by staff but not taken by the end of the financial year. Where this has previously been treated as an accrual in the financial statements we consider a fairer treatment is to recognise the cost as a provision in the Statement of Financial Position, only recognising the cost as an accrual where there is an actual agreement to make a payment for that leave to an individual employee. We consider this a fairer reflection of the nature of the liability and is a consistent treatment to other items such as our provision for dilapidation costs on leasehold premises. The effect of this change of accounting treatment is an impact of £0.130m on the in-year DEL budget position.

1.6 It also goes without saying that our current position also assumes there is no extraordinary further increase in demand during the final weeks of the financial year that would cause a significant rise in allocation of work, most likely to additional agency workers of Cafcass Associates.

2. IMPLICATIONS FOR 2018/19

2.1 As set out in paragraph 1.3 above the primary pressure on the budget in the current year is the transition of employed staff in to the workplace and the reduction of agency workers who were recruited because of the significant increases in demand. While the need to transition new staff with protected caseloads for a short period of time will always be essential practice, the scale with which this has taken place during the current financial year is not expected to recur.

2.2 There is however, a potential cost pressure in the new financial year in relation to maintaining a competitive pay offer in comparison to local authorities. While formal settlements remain internal to those bodies and may take some time to emerge, this leaves Cafcass in a difficult position being outside any formal pay review body processes. It is clear that a 1% award will be unsustainable however. While our work on the budget for the new financial year could support up to 2% this may not prove sufficient to retain staff where terms and conditions in the local authorities begin to exceed ours. While this remains a risk rather than an actual cost pressure at this stage, we are seeking support from the department for a further £0.5m to be made available in 2018/19 if the emerging pattern of pay awards means our offer should sit at the upper end of the range of 2-2.5% (bearing in mind our pay remit must also meet the costs of pay progression).

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