CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE
Paper for the Board Meeting on 26 January 2018
FINANCE REPORT

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 of £0.5m (0.4% of grant in aid). Approval for this has been sought from the Ministry of Justice. This is the first such overspend in nearly a decade.
- 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 the current budget pressures will increase our spending requirements for 2018/19 as previously submitted to the Department.

1 AIM AND PURPOSE

1.1 To confirm the expected financial position for the current year.

2 RECOMMENDATIONS FOR THE BOARD

2.1 To note the financial results for the current year.

3. EXPECTED FINANCIAL POSITION FOR THE CURRENT YEAR

3.1 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.

3.2 We anticipate a potential overspend at year end of £0.5m. This position has become clear in the period immediately before the Christmas break and in the first two weeks of the financial year when we have been testing it against known future commitments and the opportunities to mitigate overheating by reductions elsewhere in the budget. The timing coincides with the conclusion of the phase during which recruiting across both permanent and flexible workforce was at its most intense. The outcome of this recruiting has enabled us to demonstrate both the need for and use of the additional grant funding that was being held on gated release by the department. Our monthly management accounts and re-forecasting processes have been applied consistently throughout the year. 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.

3.3 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 the 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.

3.4 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. These measures are expected to achieve a reduction in the order of £0.5-£0.6m and hence we have declared an overspend in our latest financial returns of £0.5m.

3.5 The management accounts are attached in Appendices 1 to 3. A summary of our year to date and forecast position is set out below.

	£'000
Budget profiled to 31 December 2017	88,400
Spend to 31 December 2017	90,768
Overspend at 31 December 2017	(2,368)
Budget for remainder of year	40,913
Forecast spend for remainder of year	39,045
Forecast outturn (overspend)	(500)

3.6 The Statement of Financial Position (SOFP) at the end of December 2017 has also been included at Appendix 4. There have been no additions or disposals of fixed assets since the start of the financial year. Current assets mainly comprise prepaid expenditure and amounts due from MoJ for services commissioned on their behalf since the start of the financial year. Current assets mainly comprise the Cafcass Bank Account which had a balance at the end of the month within the tolerance set by MoJ but also sufficient to cover any emergency payments prior to receipt of the next monthly drawdown of grant funding. Current liabilities are substantially accruals pending receipt of invoices for goods and services already received. Non current liabilities comprise part the provision for dilapidations on leasehold premises. The substantive liability and item on the SOFP is the pension liability which will carry through the year at its last valuation (31 March 2017), until the next revaluation at the end of March 2018. We will continue to monitor our cash flow carefully, particularly in light of the forecast overspend, but where not all expenditure that falls to be accounted for in our budget has a cash effect.

4. KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

4.1 A significant challenge for resource management in the current financial year has been to maintain the high level of effective fiscal control over the budget while at the same time embarking on a rapid expansion of the workforce to align with the increase in demand for services. The additional capacity enabled through the increased grant funding is being utilised through a combination of both permanent and flexible workers which create their own challenges for financial management. The risks associated with managing the financial consequences of increasing the workforce in a demand led service have been described above. The alternative to managing to an overspend position would be to take a much more aggressive approach to bring the FTE numbers back to target. Such action would inevitably lead to delays in allocation of work or a rise in individual workloads with the attendant negative impact on children in new family court cases. The quality of work would also certainly be compromised. We are in the process of reviewing our spending requirements for 2018/19 but don't consider the business case submitted to MoJ will need to change as a result of the additional the pressures we have set out here.

5 BENEFITS FOR CHILDREN

5.1 The delivery of safe, high quality and timely services remains a priority for service delivery. 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.

6 FINANCIAL ANALYSIS

6.1 The financial implications of this paper are contained in the main body of this report.

7 RISK ANALYSIS

7.1 These are no particular risks to draw to the attention of the Board at this stage. General risks associated with the in-year and future year financial positions are discussed within the Strategic Risk Register.

8 DIVERSITY ANALYSIS

8.1 Ensuring Equality and Diversity are central to all our work remains a key operational priority. In much the same way as ensuring the objectives of benefits for children are met through financial planning and management, so 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.

Anthony Douglas, Chief Executive
Julie Brown, Director of Resources
18 January 2018