CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE
Paper for the Board Meeting on 23 March 2018
FINANCE REPORT

KEY POINTS

- Our latest estimate of the costs of maintaining sufficient workforce capacity to meet our published allocation standard and our key performance indicators, indicate a potential overspend by the end of the year of £0.750m. This crystallises the previously reported risk of £0.250m.
- All opportunities to mitigate down to this level and to further reduce the overspend continue to be explored and acted on to the extent these actions will not compromise service delivery.
- At this stage we are still of the view our previous assessment of our spending requirements for 2018/19 are a fair and reasonable assessment. There is however little margin to absorb upward shifts in pressures coming from either the volume of new cases or the volume of outstanding cases in the family justice system, given the projection that both will continue to rise in 2018/19.

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 eleven months to the end of February 2018 show spending ahead of budget by £3.1m. This still partly reflects the timing of spend compared to when spend has been profiled to arise (as previously reported, particularly in relation to IT costs and also the backdated pay award processed in December 2017). Also, the Ministry of Justice (MoJ) has confirmed approval for a revenue to capital switch of up to £0.7m which will take effect as part of finalising outturn at the end of the year. The spend is already within the year to date expenditure and impacts on the IT budget (Contracted Out Services). The switch had also been taken into account when reporting on our financial position to the previous Board Meeting.

3.2 We anticipate a potential overspend at year end of £0.750m. At its meeting in January 2018 the Board received an update on the financial position which at that stage anticipated an overspend of £0.5m with a further risk to that position of £0.250m. All budget holders have been asked to continue to take whatever measures they can to limit spending in these final weeks of the financial year where these would not compromise frontline service delivery. It is unlikely the risk of £0.250m previously reported can be substantially mitigated, hence the transfer from risk to an expected overspend. The MoJ has formalised its acknowledgement of our previously reported budget pressure in writing to the Chief Executive. We anticipate this support will continue.

3.3 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 28 February 2018	108,903
Spend to 28 February 2018	112,033
Overspend at 28 February 2018	(3,130)
Budget for remainder of year	20,410
Forecast spend for remainder of year	18,030
Forecast outturn (overspend)	(750)

3.4 The Statement of Financial Position (SOFP) at the end of February 2018 has also been included at Appendix 4. The adjustments arising from accessing capital funding described in paragraph 3.1 above will give rise to the inclusion of ICT and software assets into the categories of Tangible and Intangible Fixed Assets. These changes will be made as part of the preparation of the annual financial statements. 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 in small 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. In acknowledgement of our in-year budget pressures the MoJ proactively transferred a further £0.5m of cash in the event our ability to meet payments as they fall due until 31 March 2018 was becoming compromised.

4. KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

4.1 This is the first time in a number of years that the budget has been subject to such a pressure that an overspend has occurred. Our systems for financial management and forecasting have always been and remain robust. The build up of the spending pressures however came fast and late in the financial year. This meant our ability to respond to bring the budget back in to balance was severely hampered by having such a limited amount of time remaining to do so, and also attempting to do so would undoubtedly have impacted on service delivery and performance. While the catalyst for deliberately raising our spending levels, as supported through additional funding from the MoJ, was the substantial additional investment in our workforce capacity, this isn't expected to recur. What is clear however, is that the combination of rising demand and slowing throughput means our budget is losing its flexibility, in particular to reduce even marginally, if another in year spending pressure begins to emerge. At this stage we are still of the view our previous assessment of our spending requirements for 2018/19 is a sound forecast but our recent experiences have shown that with more than 90% of our budget invested in frontline service delivery, there is little margin to absorb upward shifts in pressures coming from either the volume of new cases or the volume of outstanding cases in the family justice system.

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 CBE, Chief Executive
Julie Brown, Director of Resources
15 March 2018