

CLS Financial Overview and Commentary

By Sylvia Scott, Finance Manager CLS

1. Introduction

A 2 year financial plan is currently being finalised.

The plan will underpin the ambitions described in our strategic plan (Available on the DVD ROM) and secure a future for CLS operating as a self-sufficient trading unit. To prosper and ensure sustainability we plan to generate sufficient surpluses to invest in modernisation and the continuous improvement of services.

The plan in development ;

- Includes a clear and transparent financial framework for the various strands of provision, aligning financial performance with objectives.
- Adjusts our fixed costs (overheads) to make provision for investments.
- Invests in new capacity for marketing and ICT aligned with our strategic aims.
- Includes risk evaluation and management.
- Includes a programme of developing the skills and competence of our staff to improve; financial awareness, budget management and our capacity for business growth based on sound finances.

2. Context

In 2010-11 CLS's total income was £16.9m, £13.1m through funding agency contracts and £3.7m from sales, fees and charges.

Expenditure totalled £16.8m, of which £1m was for KCC internal re-charges.

The £100k income surplus over expenditure was in line with the KCC cash limit in the budget plan, and an increase in KCC internal recharges of £100k delivered a total in year contribution to KCC of £200k.

CLS's financial plan for 2011-2013 takes account of; known and anticipated changes in contract values, inflationary pressures, market demand for our services, further increases recharges/contributions to KCC, impact of capital projects, and required investment for business development.

3. Pressures

3.1 KCC's Medium Term Financial Plan includes an increased contribution to the authority via a new charge of £350k for the use of KCC freehold premises. This and other identified savings increases CLS's total cash contribution to KCC from £1m in 2010-11 to £1.3m in 2011-12 and £1.5m in 2012-13. These increases do not reflect any changes in service or provision.

3.2 Changes in learner eligibility, funding rates per learner, and an expectation that employers and those individuals able to pay will contribute to the cost of learning, impact on our ability to draw down equivalent values and represents a pressure of £595k in 2011-12. Transitional support of £238k has been sought and agreed with the SFA for one year.

3.3 The current review of Informal Adult and Community Learning results of which are to be announced this autumn will be implemented from August 2012, and our plans

assume a 10%, £600k reduction in year 1, with possible further reductions from 2013/14.

3.4 In 2010 CLS were commissioned to undertake a review of their 13 freehold properties, and has adopted a phased approach to rationalise those assets considered least fit for purpose. Phase 1 (4 properties) will be completed in July 2011, realising capital receipts of £1.4m. Phase 2, includes 5 further properties (Broadstairs, Sittingbourne, Sevenoaks, Margate and Tonbridge) and is expected to realise £4.3m capital receipts over the period of the current MTFP, re-provision costs are estimated at £1m.

4. Investments

Investments of £300k in market research, e-commerce and other technological solutions to secure future income and realise expenditure savings are sought for year 1 (2011-12) of the financial plan.

5. Actions to secure savings and increase income

To redress known pressures and to build reserves for sustainability as future funding changes and other pressures impact CLS plans to :

5.1 Continue to reduce fixed costs, overhead staffing costs of £4.2m are to be reduced by 21% £900k over 2 years.

5.2 Implement a new business model that maximises income from those able to pay. Changes in fee income are to be achieved through a market led approach, increasing fee income as a % of total income from 18% to 24%, by 2014.

5.3 Continue to improve the financial contribution of all provision through wider use of technology reducing cost of delivery. Rationalise provision and restructure curriculum management where appropriate to optimise resources.

5.4 Review of universal concession policy for people over 60. Our risk management approach for this change, is to phase the changes, realising increased income of £90k in 2011-12, £215k in year 2, and £340k year 3.

5.5 Replace dedicated business systems currently costing in excess of £400k pa. We can realise significant savings of £100k plus pa , to be realised in year 2. Additional costs for procurement and implementation will be incurred in the current year.

6. Conclusion

CLS continues to respond to significant external pressures including pressure on the disposable income of customers. In response we are developing robust financial plans of a commercial character , building revenue reserves for investment, smoothing of funding changes, and potential need for working capital.