

Supply Chain Sustainability School

Notes of a Review of the School Financial Results for the year ended 31 March 2020

Background

The Supply Chain Sustainability School (SCSS) is a membership body that relies upon Action Sustainability (Trading) Limited (ASTL) as its delivery partner to fulfil the objectives of the School. The School is not a separate legal entity but is bound together by a legally binding partnership in which partners sign up to the constitution setting out the rights and obligations of their membership.

Given the above, the SCSS does not have a set of accounting records, a profit and loss or balance sheet, but ASTL does maintain a memorandum set of records identifying the revenues and costs attributable to SCSS.

The Scope of the Review

The focus of the review was to:

- I. Ensure that the basis of allocation of income and costs appear reasonable given the activities delivered by ASTL on behalf of the School.
- II. Review the reasonableness of the “value for money” of the services delivered by ASTL.
- III. Review the financial position of ASTL to assure the School of the longer-term viability of their delivery partner.

The Review

Ian Heptonstall and Hilary Hurrey provided the latest estimates of the Income and Expenses for the SCSS in the form of a spreadsheet and an AGM Presentation pack. The latter is attached at Appendix 1. The review was carried out on 10 March 2020 and hence the figures presented were estimates of the likely outturn for the year to March 2020.

Income

The latest forecast for 2019/20 was £1,877,954 comprised of:

- £967,399 grant income from CITB and
- £905,555 from partner membership fees and
- a fee for use of the platform in Australia of £5,000.

- Grant Income is comprised of the following:
 - i) CITB Core Grant - £448.5k. A total grant of £2,510,496 was awarded over a five-year period and, whilst the cash flow of this grant is front-end loaded, the income from this is recorded over the 5 years to broadly match the delivery of outcomes. Consequently, the income recorded for 2019/20 is £448.5k, with £375k to follow in 2020/21. (The funding ceases at the end of December 2021. The grants received have been agreed to the grant applications prepared by Skanska on behalf of the SCSS.)
 - ii) FIR Grant - £190k. The FIR grant application forms submitted to date were examined and totaled £82k. The anticipated claim for March is £55k and this brings the total claim for 2019/20 to £137k.

In addition, £50k has been funded by the SCSS partners and this, together with £3k for two commercial modules that were sold, brings the total income for FIR to £190k.
 - iii) Digital Skills Grant - £46k. This is a grant for developing digital skills; “Downloading a Digital Mindset”. Income was agreed to the grant application forms totaling £35k, with a further £11.6k forecast by end of March
 - iv) Procurement Grant - £107k. A grant for “Improving Performance through better Procurement Practices”. Income was agreed to the January 2020 grant application form of £80k, with a future £27k forecast by the end of March.
 - v) Offsite Grant - £176k. A grant for developing consistent training materials for professionals and students. The grant schedule indicated funding of £186.5k for 2019/20 but since the scheduled deliverables will not be fully met, the forecast revenue has been reduced to £175k. This appears reasonable.
- The income from members as per the latest forecast is £911k, including the contribution from the Australian License. It excludes the £50k FIR partner funding which is included under the FIR heading. This income was compared to the list of active partners on the website to test for completeness and found to be correct.

Expenses

Total expenses forecast for the year amount to £1,877,954, inclusive of the 10% management fee charged by ASTL amounting to £190k. The main elements reviewed were as follows:

- Employee Costs, £663k, 39% - this was based on the 25 or so people employed by ASTL during the year and the % allocation of their time to the School activities. Overall the allocation came to 53% of all staff time. This was examined across the year and it was consistent ranging from 51% to 59% of total ASTL activity. Examining the time allocations in the most recent month, January, the %'s allocated by individual appeared reasonable given the outputs generated in this period. The salaries paid to the 20 individuals were not excessive given their level of seniority and experience.
- Category groups, including training given by the ASTL team, Offsite, Procurement, Digital and FIR grant related activities totaled £347k or 19% of total expenditure. This was substantially higher than budgeted as a direct result of the additional activities undertaken in 2019/20 relating to the Digital and Procurement grant funded initiatives. Costs were covered by the grants received.
- CITB Delivery Costs, £225k, 13% - this is within 3% of the budget set for the year whilst the volume of training / supplier days is higher.

- Non CITB Delivery Costs, £249k, 15% - These were 14% lower than budgeted, with consultancy and costs associated with the Horizon Group representing most of the saving.
- Overheads, £161k, 10% - this was allocated based on the FTE headcount of the people working on School business and is a reasonable basis for allocation. Over the year, including the estimates for the last two months, this allocation is expected to represent 56% of all ASTL overheads. This again appears reasonable. Total overheads expressed as £/head amounted to £10.6k per head per annum, the same as the prior year. This includes all accommodation, accounting and finance, computer, training, travel and office expenses and is considered good value for money (VFM) for the outputs delivered.
- ASCIC, FIR delivery costs and the management fee charged by ASTL of 10% of income, make up the balance of the costs allocated to the School. The ASCIC cost represents a donation to a social enterprise venture run on a not for profit basis and has been approved by the School Board.

ASTL Financial Status

The financial Statements for ASTL up to 31 March 2019 were examined. They show that ASTL makes a 7% profit after tax, has £943k as cash on the balance sheet, and positive reserves. The cash balance reflects the receipt of grants in advance as well as the accumulation of profits over prior years. This would indicate that ASTL have a stable and viable financial position.

Summary

The focus of the review was to:

- I. Ensure that the basis of allocation of income and costs appeared reasonable given the activities delivered by ASTL on behalf of the School.

This I conclude is the case

- II. Review the reasonableness of the “value for money” of the services delivered by ASTL.

Based on the review and against the deliveries made against School targets I conclude that, at least at a summary level, ASTL deliver VFM

- III. Review the financial position of ASTL to assure the School of the longer-term viability of their delivery partner

ASTL appear financially stable and viable to continue as delivery partner for the foreseeable future

Keith Chanter March 2020

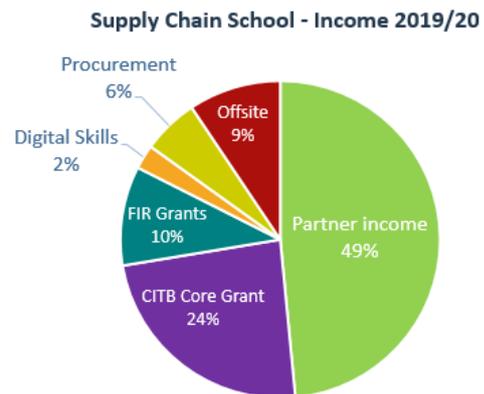
Appendix 1

INCOME LAST FY AND CURRENT FY

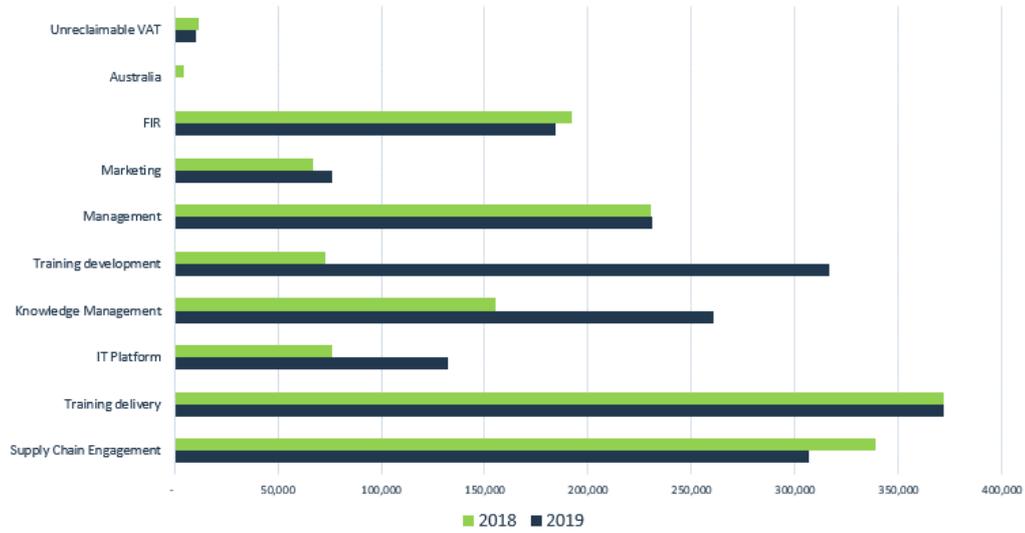
Income by source	Last FY	This FY	
Partner income	853,738	905,555	
CITB Core Grant	500,000	448,500	
FIR Grants	162,000	189,986	
Digital Skills	-	46,488	
Procurement	-	106,824	
Offsite	-	175,601	
Australia	12,500	5,000	
Total income	1,528,248	1,877,954	+ 22.9%
Total Expenditure	1,520,300	1,877,954	+ 23.5%

INCOME SUMMARY

Income by source	Amount
Partner income	910,555
CITB Core Grant	448,500
FIR Grants	189,986
Digital Skills	46,488
Procurement	106,824
Offsite	175,601
Total income	1,877,954

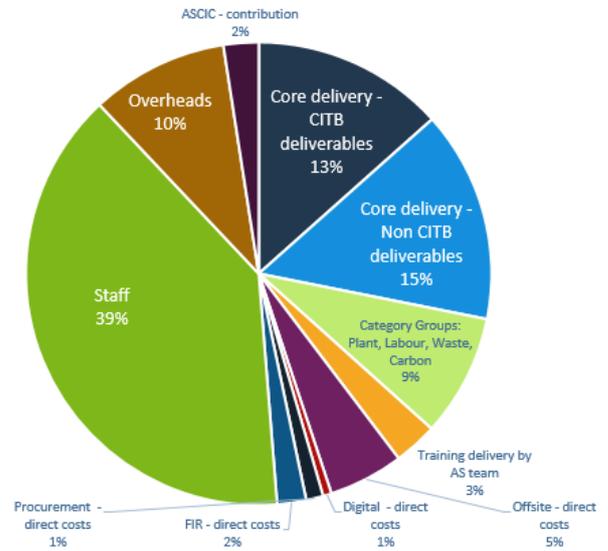


EXPENDITURE – LAST YEAR TO CURRENT YEAR



EXPENDITURE SUMMARY

Costs by activity	Amount
Core delivery - CITB deliverables	225,749
Core delivery - Non CITB deliverables	249,477
Category Groups: Plant, Labour, Waste, Carbon	144,000
Training delivery by AS team	51,337
Offsite - direct costs	87,991
Digital - direct costs	10,077
Procurement - direct costs	20,027
FIR - direct costs	33,990
Staff	662,969
Overheads	161,190
ASCIC - contribution	41,088
AS Margin	190,059
Total costs	1,877,954



EXPENDITURE BY SUPPLIER

