

Supply Chain Sustainability School

Notes of a Review of the School Financial Results for the year ended

31 March 2021

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, together with income and expenditure analysis and a signed set of financial statements for ASTL. The summary analysis is included at Appendix 1. The review was carried out on 8 March 2021 and hence the figures presented were estimates of the likely outturn for the year to March 2021.

Income

The latest forecast for 2020/21 was £1,728,542 comprised of:

- £1,019,292 from partner membership fees.
- £631,787 grant income from CITB comprised of:
 - Core Grant funding of £352,436
 - FIR £94,427
 - CITB Digital Skills £65,309
 - CITB Procurement £119,615

- Client sponsorship of FIR programme £38,791.
 - New income from Regional Development Programme partners of £25,000 and
 - a fee for use of the platform in Australia of £13,672.
- Grant Income is comprised of the following:
 - i) CITB Core Grant Funding. £352.4k. 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 2020/21 is £352,436k. (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) Grant Income - FIR Grants - £94.4k. The FIR grant application forms submitted to date were examined and totaled £86.6k. The anticipated claim for March is £7.8k and this brings the total claim for 2019/20 to £94.4k.

In addition, £38.8k (£75k over 12 months) has been funded by some SCSS partners that needed to demonstrate their commitment for contractual requirements and this brings the total income for FIR to £133.2k.
 - iii) Grant Income - Digital Skills. £65.3k. This is a grant for developing digital skills; “Downloading a Digital Mindset”. Income was agreed to the grant application forms totaling £44.0k, with a further £21.3k forecast by end of March.
 - iv) Grant Income – Procurement £119.6k. A grant for “Improving Performance through better Procurement Practices”. Income was agreed to the January 2020 grant application form of £109.4k, with a future £10.2k forecast by the end of March.
 - The income from members as per the latest forecast is £1019k, including the contribution from the Australian License. It excludes the £38.8k 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 £1,728,542 inclusive of the management fee charged by ASTL amounting to £121,698k. The main elements reviewed were as follows:

- Employee Costs, £696k, 40% - this was based on the 24 or so people employed by ASTL during the year and the % allocation of their time to the School activities. Overall the allocation came to 55% of all staff time. This allocation was consistent across the year and is comparable to the prior year which was 53%. 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 individuals were not excessive given their level of seniority and experience.
- CITB Core Delivery Costs, £63.9k, 4% - this was significantly lower than budgeted as a direct result of a change in delivery method consistent with COVID19 secure operations, reduced travel and accommodation cost.
- CITB Procurement delivery costs, £60.0k, 3%, This programme was affected by reductions in funding which

occurred as a result of CITB cutbacks arising from the COVID19 pandemic. The funding received exceeded the direct costs of delivery. Additional staff costs for delivery were funded from the SCSS budget and a reduction in delivery partner margin.

- FIR Delivery Costs - £63.0k, 4% – including the costs relating to the provision of a specialist FIR course and those for a series of 30 workshops funded as part of a contract extension for e-learning modules.
- Digital Skills Delivery costs, £56.4k, 3% - These were 38% lower than budgeted as funding for this programme was withdrawn resulting from CITB cutbacks arising from the COVID19 pandemic. The funding received exceeded the direct costs of delivery. Additional staff costs for delivery were funded from the SCSS budget and a reduction in delivery partner margin.
- Overheads, £142k, 8% - 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 month, this allocation is expected to represent 59% of all ASTL overheads. This again appears reasonable. Total overheads expressed as £/head amounted to £11k per head per annum, marginally up on the comparator for 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, Depreciation, other non-CITB delivery costs and the management fee charged by ASTL of 7% of income, make up the balance of the costs allocated to the School. It should be noted that ASTL reduced their entitlement to a 10% fee to 7% to take account of the likely downturn resulting from the COVID19 pandemic. In addition, the shareholder directors took a reduction of 50% in their remuneration until it was clear that the SCSS prospects improved. 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 2020 were examined. Clearly these exclude the significant effect that the COVID-19 global pandemic will have had on the period since March 2020. The directors, who signed the financial statements of ASTL in October 2020, stated “Whilst the impact of COVID19 was not felt in these accounts the Directors do expect a material effect in 2020/21, with a predicted reduction in sales of about 10%”. In reviewing the financial status of ASTL, the management accounts for the period to the end of February 2021 were examined and these indicate that the company is still profitable from the combined SCSS and consultancy business of ASTL. Latest forecasts now indicate that sales will be in line with those experienced in 2020.

In summary, the financial statements for the period ended March 2020 show that ASTL makes a 7% profit after tax, has £1027k 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 at the end of March 2020 and this view is further substantiated by the continuing profitability of ASTL indicated by their management accounts to the end of February 2021.

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 2021

INCOME: BUDGET SCENARIOS & ACTUAL

Funding stream	Pre-Covid Budget	No CITB 40% Partner loss	CITB to end May 20% Partner loss	Budget at July meeting	Actual
CITB - Core	375,000	300,000	300,000	375,000	352,436
CITB FIR	85,000	-	22,572	63,500	66,324
Extended CITB FIR	98,100	-	28,100	28,100	28,103
Client sponsor of FIR	-	-	-	-	38,790
CITB Offsite	48,800	-	39,699	45,596	
CITB Digital Skills	113,826	-	34,866	47,976	65,309
CITB Procurement	411,222	-	100,134	122,434	119,615
Current Partners	998,328	598,997	798,662	798,662	912,621
New Partners	62,557	37,534	50,046	50,046	106,671
New income (RDP clients)					25,000
Australia licence and others	20,000	10,000	16,000	16,000	13,672
Total	2,212,833	946,531	1,390,079	1,547,314	1,728,541
Reduction in income from budget		1,266,302	822,754	665,519	484,292
Percentage reduction		-57%	-37%	-30%	-22%

Please note:

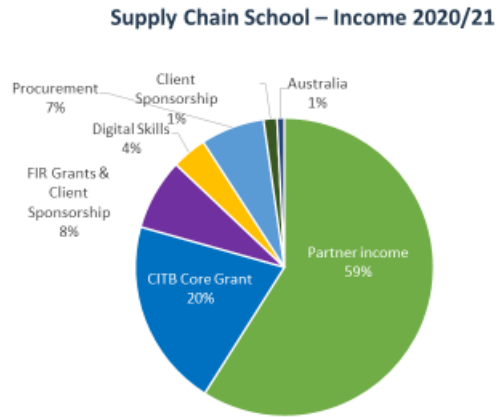
CITB Offsite funding of £45,596 not included in School budget as undertaken by Action Sustainability Consultancy Team. A breakdown of costs is included on this workstream.

INCOME LAST FY AND CURRENT FY

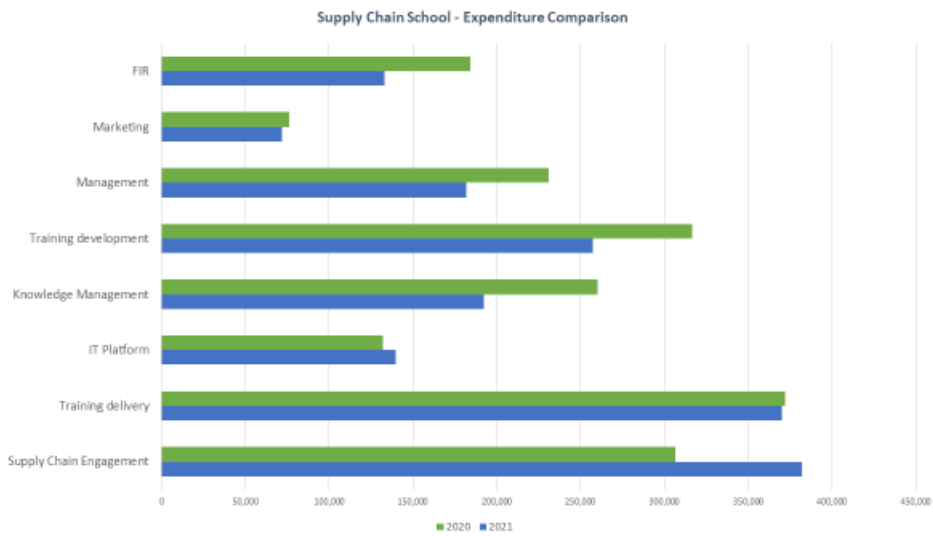
Income by source	Last FY	This FY	
Partner income	905,555	1,019,292	
CITB Core Grant	448,500	352,436	
FIR Grants	189,986	94,427	
FIR Client Sponsorship	--	38,791	
Digital Skills	46,488	65,309	
Procurement	106,824	119,615	
Offsite	175,601	--	
Client Sponsorship (RDP)	--	25,000	
Australia	5,000	13,672	
Total income	1,877,954	1,728,542	-7.95%
Total Expenditure	1,877,954	1,728,542	-7.95%

INCOME SUMMARY

Income by source	Amount
Partner income	1,019,292
CITB Core Grant	352,436
FIR Grants & Client Sponsorship	133,218
Digital Skills	65,309
Procurement	119,615
Client Sponsorship	25,000
Australia	13,672
Total income	1,728,542



EXPENDITURE – LAST YEAR TO CURRENT YEAR



EXPENDITURE SUMMARY

Costs by activity	Amount
Core delivery - CITB deliverables	63,900
Core delivery - Non CITB deliverables	208,545
IT platform development	100,473
Tool & Other	14,687
Category Groups: Plant, Labour, Waste, Carbon	120,000
Training delivery by AS team	45,000
Digital - direct costs	56,400
Procurement - direct costs	60,000
FIR - direct costs	63,000
Staff	696,000
Overheads	142,000
ASCIC - contribution	36,839
AS Margin	121,698
Total costs	1,728,542

