

# Supply Chain Sustainability School

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

31 March 2023

### Background

The Supply Chain Sustainability School (School) is a membership body that relies upon Action Sustainability (Trading) Limited (ASTL) as its delivery partner to fulfil the aims 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 School does not have a set of accounting records, a profit and loss or balance sheet, but ASTL does keep a memorandum set of records showing the revenues and costs attributable to the School.

### 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 Income and Expenses for the School 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, but by way of a quick overview, over 21,000 people were trained in 2022/23, an increase of over 30% on the prior year.

## Income

The Income for 2022/23 was £2,925,318, up 13.5% on the budget for 2022/23, and was comprised of:

- £ 2,080,479 from partner membership fees.
  - £512,002 grant income from CITB comprised of:
    - Core Grant funding of £94,247 for the FIR programme.
    - CITB Procurement £358,206.
    - Digital Skills £59,549.
  - Client sponsorship of the FIR Programme, including the FIR Special Delivery programme £155,614.
  - Income from Project Sponsorship, including the Regional Development Programme, of £115,327.
  - License fees, other income, and commissions for use of the platform of £61,896.
- Reviewing the components of the Grant Income:
    - i) Grant Income - FIR Grants - £94k. The FIR grant application forms submitted to date were examined and totaled £91k, with £3k income deferred from 2022/21 to the current year.
    - ii) In addition, £50k was provided from the School's core budget and the remaining £100k has been funded by some School partners that needed to show their commitment to FIR as part of their corporate objectives and this, with a small amount of sundry income, brings the total income for FIR to £249.9k.
    - iii) Grant Income - Digital Skills. £59.5k. This is a grant for developing digital skills; "Downloading a Digital Mindset." Income was agreed to the grant application forms totaling £79.0k, with £20k deferred to 2023/24 pending delivery of further training outcomes, the Project Report, and the Project Evaluation Report.
    - iv) Grant Income – Procurement £358.2k. A grant for "Improving Performance through better Procurement Practices." Income was agreed to the quarterly grant application forms for the period to end of February 2023, leaving March still to be claimed, which totaled £464.8K. £113k of this has been deferred to 2023/24 as there are still significant deliveries covered under the claims which are to be delivered in April, May, and June. This

CITB funded training and development programme was due to be completed by the end of March 2023, but due to the delays caused by the COVID 19 pandemic, the final delivery of outcomes will now fall into 2023/24.

- v) The income from Partners was £2,080k. 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 £2,609,829, excluding the management fee charged by ASTL amounting to £315,489. The main elements reviewed were as follows:

- Employee Costs, £1,236k, 47% of total costs - this was based on the forty-four people employed by ASTL during the year and the % allocation of their time to the School activities. Overall, the allocation came to 51% of all staff time. This allocation grew throughout the year as more of ASTL activities were dedicated to ensuring the School outcomes were delivered. This increase in allocation is consistent with the significant growth in membership, whilst still ensuring the CITB and partner funded programmes were delivered. Examining the time allocations in the most recent month, March, 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.
- Online Platform Development Costs, £231k, 9% of total costs - The development of the online platform includes £60k relating to the amortization of development costs incurred in prior years and maintenance, further development and web platform management costs incurred in the current year. The support invoices from Titus were examined and supported the Ongoing Development, Maintenance and Server Support and Hosting costs incurred.
- Training Delivery costs relating to workshops, business bytes, “lunch and learn” sessions as well as Face to Face training amounted £195k, 7.4% of total costs - This was above the budgeted level for this activity but comprised over 280 separate events (up on the prior year of 230) with great coverage in terms of content and participant reach. It also included the specific training that took place at the 10<sup>th</sup> Anniversary Event.
- Ring Fenced core Delivery £212.8k, 8.1% of total costs – This represents the specific costs of delivering sponsored programmes for FIR (CITB plus Client), Procurement (CITB) and Digital (CITB) as well as the Regional Development Programme (RDP) and Meet the Buyer initiative. The costs incurred were very much in line with the budget.
- Category Groups, £248.5k, 9.5% of total costs - These were lower than the amounts budgeted for the year resulting from zero 3<sup>rd</sup> party spend in the Utilities, Wellbeing groups and Retrofit groups for which budgeted spend of £63k had been provided. Training delivery in Retrofit and Wellbeing was undertaken by directly employed ASTL staff and the Utilities Group was completed as a task in May 2022 when the Group was closed.

- Knowledge Management £146.1k, 5.6% of total costs - This represents the management of the library of learning materials and the regular and systematic update of the knowledge base. This was 7% above the budget levels set. The e- learning (external contractor) costs were agreed to supporting invoices.
- Marketing £30k, 1% of total costs - was marginally below budget for the year with lower PR and automation costs than expected. It should be noted that most of the marketing is delivered through ASTL's marketing team.
- Overheads, net of the contribution to the Community Interest Company, amounted to £215.7k, 8.3% of total costs - this was based on an allocation of ASTL overhead costs using the FTE headcount of the people working on School business. This is considered a reasonable basis for allocation. Over the year this allocation represented 51% of all ASTL overheads. Total overheads expressed as £/head amounted to less than £9k per head per annum, less than the equivalent for the prior year as the overhead content has reduced with the growth in personnel and the significant growth in School activities. 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.
- The Action Sustainability Community Interest Company (ASCIC) donation allocated to the School amounted to £65.2k. This is calculated by reference to a commitment to donate 2.5% of turnover of the Action Sustainability Trading Limited turnover to this community interest enterprise. The School bears an allocation of just short of 60% (in line with last year) which is supported by the proportion of revenue the School activities represent to ASTL.
- In 2023, ASTL made a margin of £315.5k from School activities, equivalent to 10.8% of School Income. It is worth noting that throughout the COVID Pandemic, ASTL forewent the right to earn a 10% margin, whilst also making sure that the ASCIC received the committed donation. This donation to a social enterprise venture run on a not-for-profit basis has been approved by the School Board.

## ASTL Financial Status

The financial Statements for ASTL for the year ended 31 March 2022 were examined. The directors, who signed the financial statements of ASTL in October 2022, stated that "2021-22 was a good financial year for the Action Sustainability Team with sales increasing by 19% to £3.1m. Whilst cost of sales fell by £53k we had a rise in overhead costs driven by an investment in new team members, development into our technology platforms and increasing wages. Overall though we are pleased to see profits rising by more than 59% to over £300k."

Adler Shine, Chartered Accountants, gave an unqualified opinion in their audit report and concluded that ASTL's use of the going concern basis was appropriate and that adequate accounting records had been kept.

In summary, the financial statements for the period ended March 2022 show that ASTL makes a 10% profit after tax, has £2,297k as cash on the balance sheet, and positive reserves.

Taken together, this evidence confirms that ASTL have a stable and viable financial position and are resourced to continue as the delivery partner for the School.

## 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 appears financially stable and viable to continue as delivery partner for the near future.

Keith Chanter April 2023

# Appendix 1



# Financial Review 2022-23

18<sup>th</sup> April 2023

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# INCOME YEAR ON YEAR & VS. BUDGET

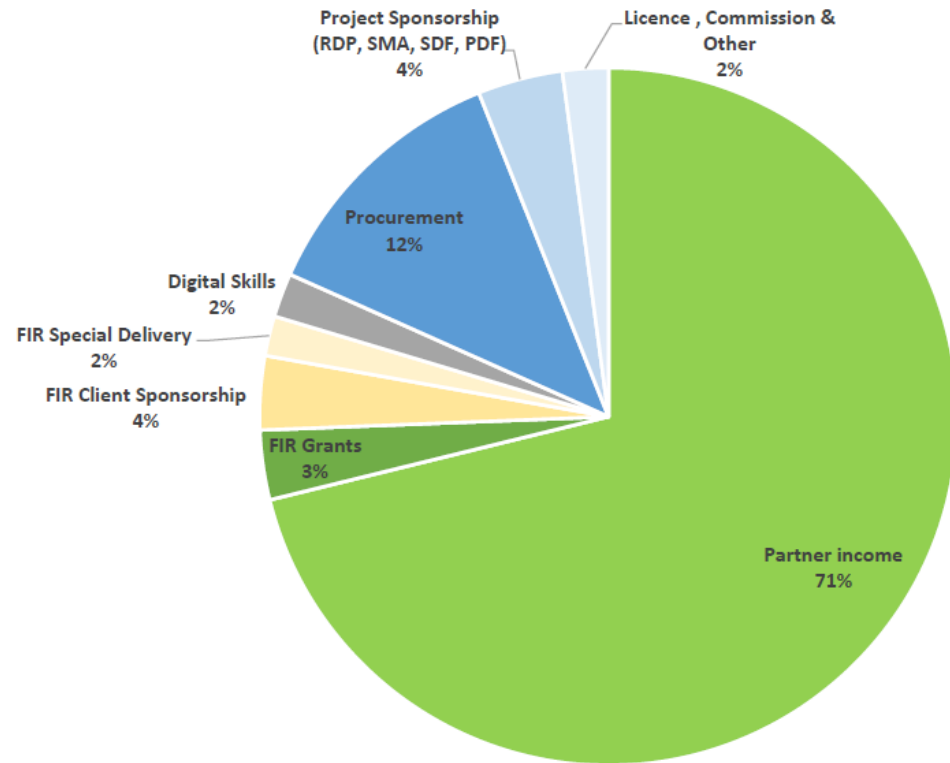
Income by source	2019/2020	2020/21	2021/22	2022/23 Budget	2022/23 Actual	Variance against budget
Partner income	905,555	1,019,292	1,491,809	1,668,847	2,080,479	
CITB Core Grant	448,500	352,436	0	0	0	
FIR Grants	189,986	94,427	149,000	152,500	94,247	
FIR Client Sponsorship	--	38,791	53,160	75,000	100,000	
FIR Special Delivery	0	0	0	48,000	55,614	
Digital Skills	46,488	65,309	102,946	88,900	59,549	
Procurement	106,824	119,615	310,874	417,364	358,206	
Project Sponsorship (RDP, SMA, SDF, PDF)	175,601	25,000	74,760	99,550	115,327	
Licence , Commission & Other	5,000	13,672	45,063	26,000	61,896	
<b>Total Income</b>	<b>1,877,954</b>	<b>1,728,542</b>	<b>2,227,612</b>	<b>2,576,161</b>	<b>2,925,318</b>	<b>+13.5 %</b>

**NB: Income adjustments vs budget**

- Budgeted income agreed through business planning at £2.576M with PM of 2%
- Revised income assumptions were presented at the AGM (additional £80K of Partner income) to £2.656M. (PM5.4%)

# INCOME 2022-23

Income by source	2022/23 Actual
Partner income	2,080,479
FIR Grants	94,247
FIR Client Sponsorship	100,000
FIR Special Delivery	55,614
Digital Skills	59,549
Procurement	358,206
Project Sponsorship (RDP, SMA, SDF, PDF)	115,327
Licence , Commission & Other	61,896
<b>Total</b>	<b>2,925,318</b>





Category of spend	Detail	Amount	Number	Total
People costs	Direct employees	£1,028,546	18.9	
	Projects Studio – Scotland, Project delivery & Account Management	£123,783	2	
	FM Sector group	£20,400	0.3	£1,172,729
Online platform	Learning Management System cost	£60,000	1	
	Maintenance: Titus	£21,900	1	
	Ongoing development: Titus	£90,000	1	
	Content Management System: Strategic	£12,600	1	
	Web platform Manager	£56,650	1	
	Online hosting	£1,271	1	£242,421
Training delivery	Workshops x 140	£78,375	140	
	Business Bytes x 20	£9,600	20	
	Lunch n Learns x 120	£13,700	120	
	Face to Face training 4 x supplier briefing (inc. 10 year anniversary)	£36,625	4	£138,300
Ring fenced delivery	FIR direct costs	£86,200	1	
	Procurement direct costs	£63,400	1	
	Digital direct costs	£20,000	1	
	Tool Technology costs (FIR, Procurement)	£55,000	1	£224,600
Category/ Content groups	Carbon Calculator & Climate Action Group	£100,000	1	
	Plant Category Group	£33,000	1	
	Waste Category Group	£33,000	1	
	Labour Category Group	£33,000	1	
	Utilities Category Group	£33,000	1	
	Social Value Group	£33,000	1	
	Retrofit	£15,000	1	
	Wellbeing	£15,000	1	£295,000
Knowledge Mgt	Expert Advice (ad hoc)	£5,000	1	
	Library Review & E-learning refresh x 25	£35,250	1	
	E-learning contractor	£75,000	25	
	Filming (update video clips & e-learning)	£15,000	1	
	CPD accreditation	£6,795	1	£137,045
Marketing	Marketing, Comms & PR	£37,211	1	
	Marketing automation	£8,875	1	£46,086
Overheads	Office & general Overheads	£151,000	1	
	CIC (2.5% of turnover)	£54,980	1	
	Travel & Courier	£15,000	1	£228,181
Contingency	Contingency	£35,000	1	£35,000
		<b>Total Costs</b>		<b>£2,512,161</b>

# BUSINESS PLAN BUDGET 2022/23

Income: £2,576,161  
Costs: £2,512,161  
Margin: 2% £61,000

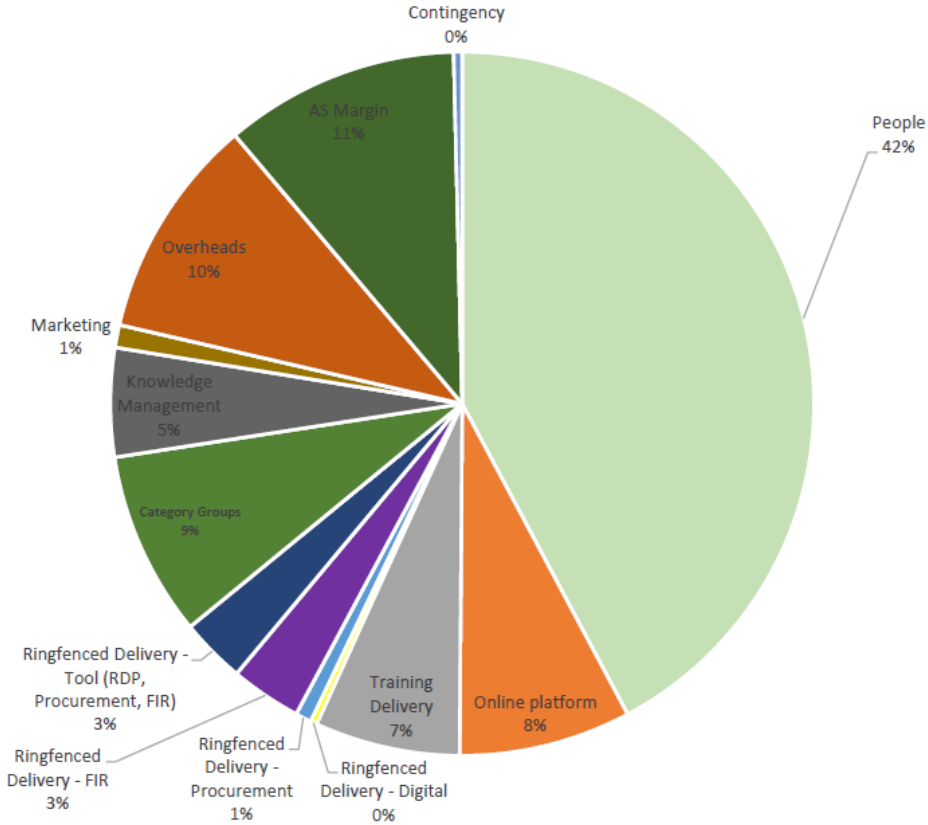
Category of spend	Detail	Budget	No.	Total	Actual	No.	Total	Variance
People costs	Direct employees	£1,028,546	18.9		£1,153,303	24		
	Projects Studio – Scotland, Project delivery & Account Management	£123,783	2		£60,600	0		
	FM Sector group	£20,400	0.3	£1,172,729	£22,440	0.3	£1,236,343	£63,614
Online platform	Learning Management System cost	£60,000	1		£60,000	1		
	Maintenance: Titus	£21,900	1		£22,500	1		
	Ongoing development: Titus	£90,000	1		£80,000	1		
	Content Management System: Strategic	£12,600	1		£15,683	1		
	Web platform Manager	£56,650	1		£50,322	1		
	Online hosting	£1,271	1	£242,421	£2,792	1	£231,297	-£11,124
Training delivery	Workshops x 140	£78,375	140		£134,539	206		
	Business Bytes x 20	£9,600	20		£9,900	20		
	Lunch n Learns x 120	£13,700	120		£15,135	120		
	Face to Face training 4 x supplier briefing (inc. 10 year anniversary)	£36,625	4	£138,300	£35,437	4	£195,011	£56,711
Ring fenced delivery	FIR direct costs	£86,200	1		£95,294	1		
	Procurement direct costs	£63,400	1		£21,319	1		
	Digital direct costs	£20,000	1		£8,786	1		
	Tool Technology costs (FIR, Procurement, RDP)	£55,000	1	£224,600	£87,400	1	£212,799	-£11,801
Category/ Content groups	Carbon Calculator & Climate Action Group	£100,000	1		£100,000	1		
	Plant Category Group	£33,000	1		£33,000	1		
	Waste Category Group	£33,000	1		£33,000	1		
	Labour Category Group	£33,000	1		£33,000	1		
	Utilities Category Group	£33,000	1		£0	1		
	Social Value Group	£33,000	1		£33,000	1		
	Lean group	£0	1		£16,150	1		
	Retrofit	£15,000	1		£0			
	Wellbeing	£15,000	1	£295,000	£0		£248,150	-£46,850
Knowledge Mgt	Expert Advice (ad hoc)	£5,000	1		£2,750	1		
	Library Review & E-learning refresh x 25	£35,250	1		£32,810			
	E-learning contractor	£75,000	25		£72,376			
	Creation of 2 x sustainability shorts	£0	0		£6,574	2		
	Filming (update video clips & e-learning)	£15,000	1		£25,502			
	CPD accreditation	£6,795	1	£137,045	£6,082	1	£146,094	£9,049
Marketing	Marketing, Comms & PR	£37,211	1		£28,099	1		
	Marketing automation	£8,875	1	£46,086	£2,150	1	£30,249	-£15,837
Overheads	Office & general Overheads	£151,000	1		£215,686			
	CIC (2.5% of turnover)	£54,980	1		£65,223			
	Travel & Courier	£15,000	1	£220,980	£17,644	1	£298,553	£77,573
Additional	Meet the Buyers	£0			£6,480	1	£6,480	£6,480
Contingency	Contingency (now spent)	£35,000	1	£35,000	£4,853	1	£4,853	-£30,147
			<b>Budget</b>	<b>£2,512,161</b>		<b>Actual</b>	<b>£2,609,829</b>	<b>+£97,668</b>

## EXPENDITURE ACTUAL V BUDGET 2022/23

Income: £2,925,318  
Costs: £2,609,829  
AS Margin: 10.7%  
£315,489

# EXPENDITURE 2022-23

Costs by activity	Amount
People	£1,236,343
Online platform	£231,297
Training Delivery	£195,011
Ring fenced delivery - Digital	£8,786
Ring fenced delivery - Procurement	£21,319
Ring fenced delivery – FIR	£95,294
Ring fenced delivery – Tool: RDP, Procurement, Diversity	£87,400
Category Groups: Plant, Labour, Waste, Carbon, Social Value	£248,150
Knowledge Management	£146,094
Marketing	£30,249
Overheads	£298,553
Contingency & additional	£11,333
<b>Total costs</b>	<b>£2,609,829</b>
AS Margin	£315,489



# EXPENDITURE 2022-23 vs 2021-22

