Briefing note for Volunteers
MS Society financial position

Introduction – how our financial position has evolved since 2016

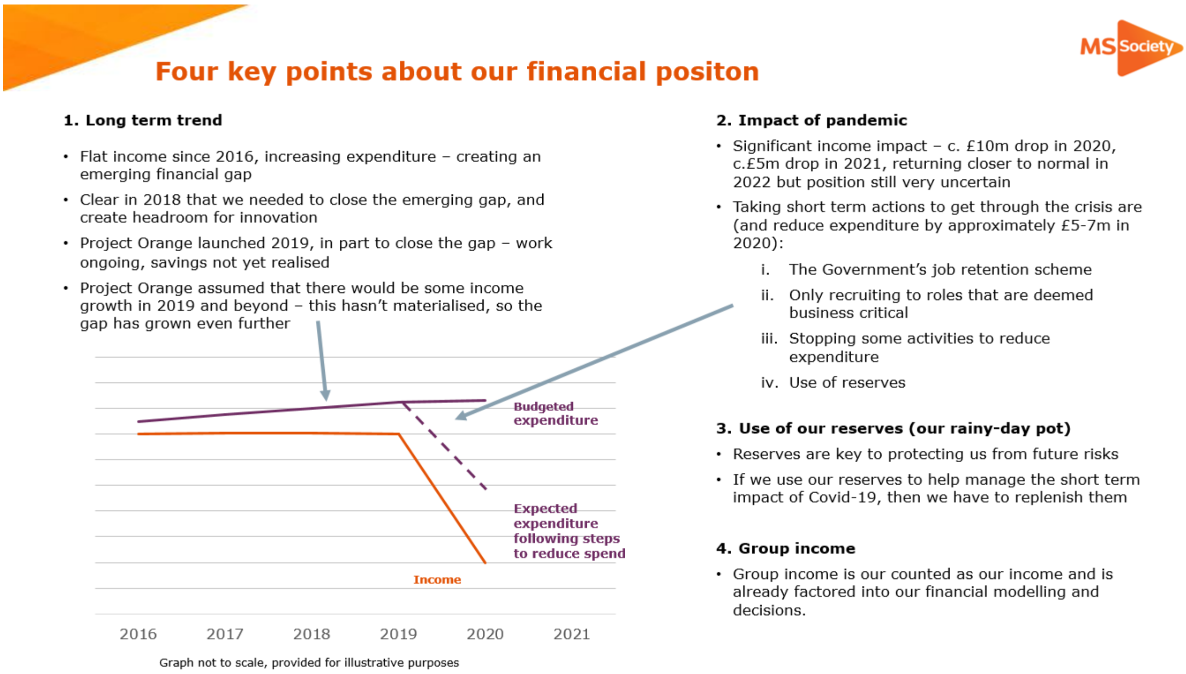
Since 2016, the MS Society has annually set plans which assumed an increase in income, and expenditure rising in line with income. However, in reality, whilst expenditure has risen, income has remained flat owing to challenging fundraising conditions, causing an increasing mismatch between income and expenditure. (It is worth noting that the overall value of voluntary fundraising across the UK has remained broadly flat during this period).

In 2018, in recognition of this emerging financial gap, a major transformation programme – internally known as Project Orange – was launched. With the objective of improving the organisation’s efficiency and effectiveness, and generating savings which would help to bring the organisation’s income and expenditure into balance. These savings (some £2million) were scheduled to be delivered in 2020.

In 2020, the coronavirus pandemic has had a dramatic impact on our income. We’re anticipating an income loss of £10m (around 30%) in 2020, and £5m in 2021. The longer term outlook is highly uncertain, although we’re hopeful that income will start returning closer to its usual level in 2022 and beyond.

This level of income loss has required us to take immediate action, and we’ve taken a range of short term actions to reduce expenditure by around £5m in 2020. These include placing colleagues on furlough leave, delaying recruitment, and pausing some activities (including our national grants programme, and some of our planned research funding). However, even having taken these steps to reduce expenditure we expect to end the year in deficit, which means that we’re using our reserves to support the organisation.

The slide below summarises these key points.



Breakdown of our expected income loss in 2020

When originally assessing the potential scale of income loss back in April, we identified 3 possible scenarios:

- **Scenario 1** – in which life rapidly returned to normal after the initial period of lockdown, with most mass participation fundraising events (such as the London Marathon) going ahead, albeit with some possible delays. We assessed that this would result in an income loss of around £7m compared to our 2020 income budget of £30m
- **Scenario 2** (which we judged to be most likely) – in which significant restrictions remained in place following lockdown through to the end of the year, with mass participation fundraising events significantly impacted (i.e. many/most cancelled). We assessed that this would result in an income loss of around £10m
- **Scenario 3** – in which a very severe lockdown remained in place throughout the year. We assessed that this would result in an income loss of around £14m

The biggest areas of income loss anticipated in Scenario 2 were community and events fundraising (as most major mass participation fundraising events would not take place), and legacies (which would be affected by delays in legacy processing and lower legacy receipts because of weaknesses in the stock market and housing market).

Our actual income performance at the end of June was in line with Scenario 2. Although our latest full year forecast (undertaken at the end of June) indicates a slightly better full year performance than originally anticipated, legacy performance in July and August has been weak, and we therefore continue to believe our Scenario 2 estimate of a £10m full year income loss remains the most likely outcome.

It was very difficult to predict how group activity and income would be affected, therefore a holding position was included in the total estimated income on the chart below.

Income 2020

MS Society

	Actual	2020					
	2019 £000s	Budget £000s	Scenario 1	Scenario 2	Scenario 3	Q2 Forecast £000s	Actual at end June
Income							
Individual Fundraising	4,910	4,951	4,662	4,511	3,984	4,624	2,278
Legacies	10,673	12,045	8,700	7,500	6,300	8,771	3,307
C&E Total	4,516	5,299	3,900	3,000	1,600	1,994	898
Corporate	1,520	1,048	1,000	700	500	1,003	289
Philanthropy & Special Events	1,243	1,451	1,400	1,000	700	1,002	348
Institutional Fundraising	703	650	550	550	500	1,167	1,017
Trusts	1,437	1,158	1,100	1,000	650	1,246	588
Groups	3,274	3,579	2,400	2,400	2,400	2,075	1,137
Total Excluding Groups	**25,002**	**26,602**	**21,312**	**18,261**	**14,234**	**19,807**	**8,725**
Total Including Groups	**28,277**	**30,181**	**23,712**	**20,661**	**16,634**	**21,882**	**9,862**

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Overall 3 year financial outlook

In April, we modelled how our income and expenditure is likely to develop over the 3 year period from 2020-2022 in the light of the crisis.

In doing so, we assumed the following:

- In 2020, that £5m of short term savings are delivered as a result of the immediate steps we have taken in-year (such as placing colleagues on furlough leave); and that in addition the £2m of planned recurrent savings from Project Orange will also be delivered in full
- In 2021, that the £5m of short term measures taken in 2020 cannot be continued, but that a further £2m of recurrent savings (over and above the £2m Project Orange savings) are delivered as a response to the coronavirus crisis

This results in the organisation running a deficit, and therefore drawing down on our reserves, in both 2020 and 2021, but returning to financial stability and delivering a small surplus in 2022.

This 3 year outlook demonstrates that £4m of recurrent savings (i.e., £2m from Project Orange, and a further £2m responding to the coronavirus crisis) are essential if the organisation is to remain financially viable.

In 2019, the Board agreed to sell the office in Cricklewood, London, in order to find smaller accommodation that better suits the Society's needs. The financial implications of the sale were not included in the analysis in April as, at the time, no offer had been received. An offer has now been received and we're proceeding with the sale and expect to complete in 2021. The proceeds from the sale will help to strengthen our reserves and overall financial resilience.

Summary of projected financial position in April

	2020				2021	
	2020 Budget	Scenario 1	Scenario 2	Scenario 3	Scenario 2	2022
Income Budget	26,602	21,313	18,261	14,234	22,610	25,670
Groups	3,579	2,386	2,386	2,386	2,800	2,800
Fundraising Income	**30,181**	**23,699**	**20,647**	**16,620**	**25,410**	**28,470**
Investment Income	160	111	111	111	100	160
Other Income	73	67	67	67	70	100
Total Income	**30,414**	**23,877**	**20,825**	**16,799**	**25,580**	**28,730**
Expenditure (2020 Budget from 2021)	**(32,318)**	**(25,566)**	**(25,468)**	**(24,614)**	**(34,373)**	**(34,373)**
Planned savings	**2,015**	**2,015**	**2,015**	**2,015**	**2,015**	**2,015**
Adjustments & furlough					**2,055**	**2,055**
Expenditure	**(30,303)**	**(23,551)**	**(23,453)**	**(22,599)**	**(27,073)**	**(28,440)**
Surplus/(Deficit) before Investment	111	326	(2,628)	(5,801)	(1,493)	290
Investment Gains	466	466	-	(1,000)	400	310
Surplus/(Deficit)	**577**	**792**	**(2,628)**	**(6,801)**	**(1,093)**	**600**

Developing our £4m savings programme

Given the scale of savings required (£4m of savings represents around 13% of our normal annual expenditure) we've had to look for expenditure reductions in all areas of our activity.

In doing so, our guiding principle has been to minimise the direct impact on the MS community.

This has meant focusing in the first instance on identifying the maximum possible level of savings in those activities and functions which do not directly affect our community – for example expenditure on our corporate support services such as Finance, HR, etc.

However, given the scale of savings required, we've had no choice but to go beyond this and look for savings in our community-facing activities and functions as well. In doing so we have:

- Tried to ensure that the savings burden falls proportionately across our 3 impact areas (research, support, influencing), given that our strategy attaches equal importance to each of these impact areas
- Made the best judgement we can in each area about what the "least worst" savings opportunities are, taking account of the reach and level of impact of different activities

A high level summary of the choices we've made is set out below:

Summary of the choices we've made

MS Society

Directorate	Reduce or stop	Maintain/grow – but where possible deliver in different/more efficient ways
REA (research)	Response mode grant round (scale back) MS Frontiers PMSA (reduced to £250k)	Octopus CoE MS Register Existing grant/trials commitments
REA (external affairs)	Current regional influencing structure	National influencing National campaigning Local campaigning (centrally supported) Reshaped health and care influencing approach PR
Digital and Services	Individual support grants (pause national grants) Local group support (reconfigure) Day care services (NI)	Helpline (inc. MS nurses, benefits advice, physical activity advice, KIT/befriending) Information Other digital products/services (including Living Well/Time to Chat)

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Summary of the choices we've made

MS Society

Directorate	Reduce or stop	Maintain/grow – but where possible deliver in different/more efficient ways
Income and engagement	Community fundraising (reconfigure)	Current fundraising lines Marketing
Corporate services	Facilities (linked to office move) Finance (reviewing the scales and deliverables) HR (reviewing the scales and deliverables)	Data ICT
Other	Governance (reviewing the scales and deliverables) Admin (reviewing the scales and deliverables)	

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Based on these choices, the make- up of our £4m savings plan is as follows:

Full list of estimates to achieve £4m savings – Project Orange and COVID-19

MS Society

	£'000
Project Orange - Content Review	300
Project Orange – Leadership and governance review (including EG restructure)	140
Project Orange – Accommodation (net cost reduction)	100
Project Orange - Procurement	200
Project Orange & Covid 19 – Phase 1 restructure incorporating supporting our volunteers, transforming our fundraising in the community, changing our research and influencing and individual support grants, strengthening our national services, research grant oversight and the high dependency day care: Pay – 33 FTE roles Non-Pay	 1,522 119
Project Orange & Covid 19 – Phase 2 restructure incorporating accommodation, finance, administration, support services and fundraising processes (approx. 20 FTE gross of accommodation adjustment)	570
Covid 19 – individual grant round	435
Covid 19 – response mode research grants	564
Covid 19 – to be identified from non pay during budget setting process	120
Total	**4,070**

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Specific issues raised during consultation (1) – salaries and management structures

During the consultation, a number of issues were raised in connection with salaries and management structures, in particular:

- Why weren't we considering an "across the board" pay cut for all staff?
- Why weren't we focusing on "delayering" our management structures and reducing the number of expensive senior and middle managers?

Salaries

The quality of our staff is critical to our ability to serve the MS community well.

However, we operate in a very competitive market for talented people. Across the voluntary sector, annual staff turnover is high – typically in the 20-30% range. In this very fluid and mobile environment, we have to work very hard to attract and retain great people.

In doing so, the power of our cause is a significant draw, as is our organisation's generally high reputation as a good place to work. But inevitably for many people, pay levels are also an important consideration. For this reason we aim to pay salaries which are fair and proportionate to the complexity of each role and which are competitive within the charity sector. In determining the right level of pay we evaluate our jobs using the Croner job evaluation system (more details can be found on their website here) and that tells us what Rank/grade a role is. Broadly, our job ranks/grades are:

Job Evaluation points	Job Rank/Grade	MSS Job Title/grade
750 or higher	0	Executive Directors
630-749	1	Country Directors Assistant Directors
570-629	2	Heads
510-569	3	Senior Managers
450 - 509	4	Managers
390 - 449	5	Senior Officers
300 - 389	6	Officers
240 - 299	7	Senior Administrators
180 - 239	8	Assistants Administrators, Shop Managers
62-179	9	Drivers/Caretakers

To set a salary for a role, we use the Croner system to give a market analysis. This is a national benchmarking database called Salary Search where we enter job evaluation results, industry sector (in our case, Not for Profit), location, turnover and other relevant details, and it provides us with salary medians of comparable roles.

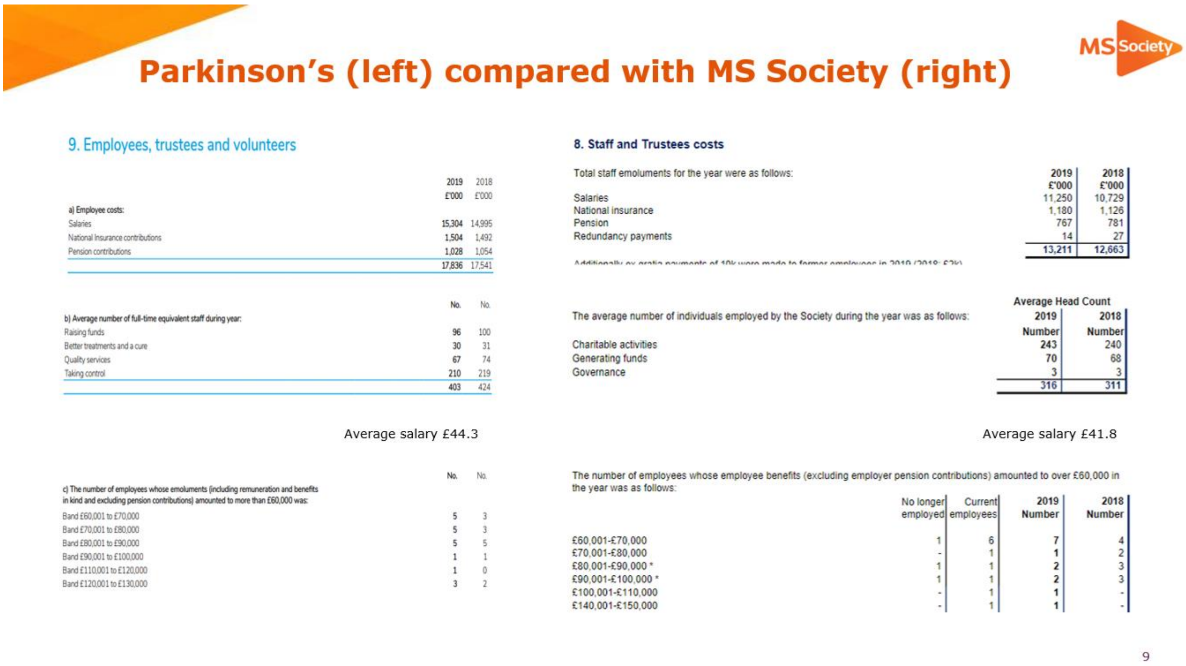
We then assign a pay scale (E2, F1 etc.) reflecting the market medians provided.[1]

[1] The market data gives us a salary figure. We use pay scales with approximately 6 – 8 salary points on them, some lower than the market figure and some higher, so that we can start employees below the market rate if they are not yet fully skilled in the role. Progression along the salary scales is through an annual increment if performance has been satisfactory. As you would imagine across the organisation we have people at a range of different points along their respective pay scales, but overall in the round the average position across all our staff should reflect a market median position.

We are confident that this approach, which is well recognised and used by many other charities, represents a structured and objective way to ensure our salaries reflect market median pay rates.

The only deviation from this approach is our commitment to pay all staff at the Living Wage (or above), as defined by the Living Wage Foundation.

As a result of this approach, our average salary cost is similar to that of Parkinson's UK, which is the most closely comparable organisation us in the sector (the information below is taken from the 2019 Annual Report and Accounts for both organisations).



Parkinson's (left) compared with MS Society (right)

9. Employees, trustees and volunteers

	2019 £'000	2018 £'000
a) Employee costs:		
Salaries	15,304	14,995
National Insurance contributions	1,504	1,492
Pension contributions	1,028	1,054
	17,836	17,541

	No.	No.
b) Average number of full-time equivalent staff during year:		
Raising funds	96	100
Better treatments and a cure	30	31
Quality services	67	74
Taking control	210	219
	403	424

Average salary £44.3

	No.	No.
c) The number of employees whose emoluments (including remuneration and benefits in kind and excluding pension contributions) amounted to more than £60,000 was:		
Band £60,001 to £70,000	5	3
Band £70,001 to £80,000	5	3
Band £80,001 to £90,000	5	5
Band £90,001 to £100,000	1	1
Band £110,001 to £120,000	1	0
Band £120,001 to £130,000	3	2

8. Staff and Trustees costs

Total staff emoluments for the year were as follows:	2019 £'000	2018 £'000
Salaries	11,250	10,729
National insurance	1,180	1,126
Pension	767	781
Redundancy payments	14	27
	13,211	12,663

The average number of individuals employed by the Society during the year was as follows:	Average Head Count 2019 Number	2018 Number
Charitable activities	243	240
Generating funds	70	68
Governance	3	3
	316	311

Average salary £41.8

The number of employees whose employee benefits (excluding employer pension contributions) amounted to over £60,000 in the year was as follows:

	No longer employed	Current employees	2019 Number	2018 Number
£60,001-£70,000	1	6	7	4
£70,001-£80,000	-	1	1	2
£80,001-£90,000 *	1	1	2	3
£90,001-£100,000 *	1	1	2	3
£100,001-£110,000	-	1	1	-
£140,001-£150,000	-	1	1	-

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Number of managers in the organisation

In framing our £4m savings plan, we've sought to ensure that our management structure is lean and fit for purpose.

Our senior management structure has been an area of particular focus. Back in December 2019, we reduced the number of Executive Directors by one third. By the time we have completed our Phase 2 restructure later this year, we anticipate that we'll have reduced the overall number of senior management posts across the organisation by 20%. This represents a bigger reduction, proportionately, than for less senior grades within the organisation.

Middle and junior management posts have also been reviewed and reduced across the organisation as part of our Phase 1 and Phase 2 changes.

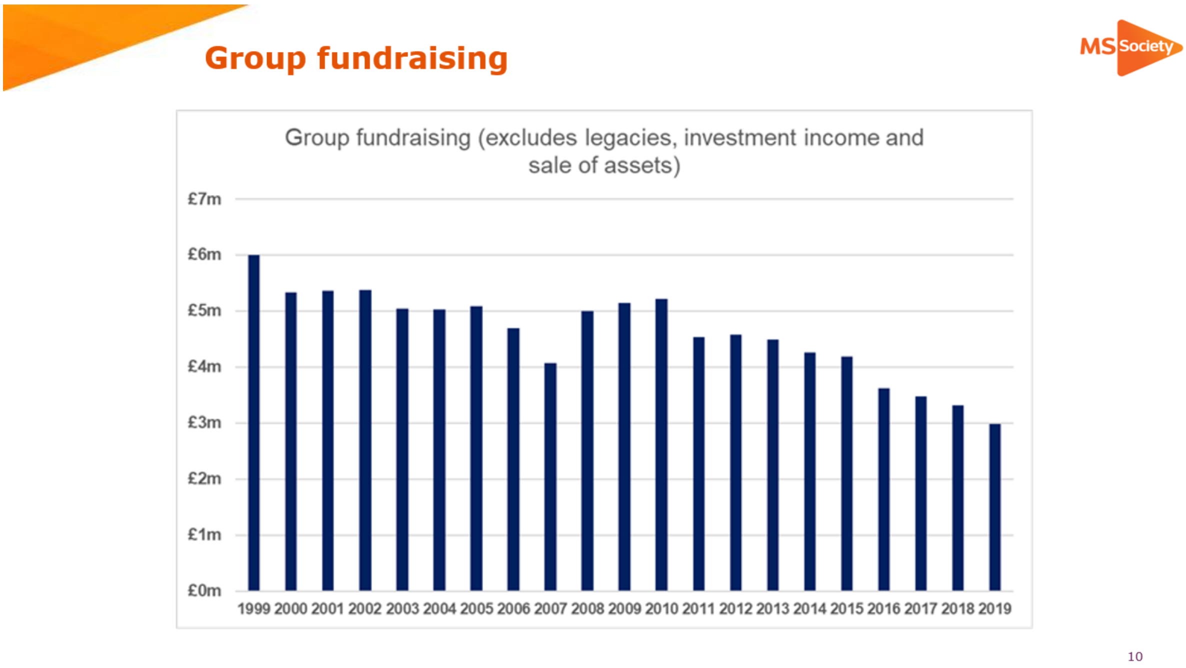
Although good progress has been made thus far, we recognise that there is more to do to improve our management structure and reduce costs; and in the future we'll keep a strong focus on further refining our management structure to improve efficiency.

Specific issues raised during consultation (2) – group income and expenditure

During the consultation, a number of questions were asked both about trends in group income, and about the balance between groups' income and expenditure.

Long term trend in group income

The long term trend in group income is a declining one as illustrated below. There are a number of different drivers of this decline.



Balance of group income and expenditure

The balance of groups' income and expenditure is set out below. Overall, total group income broadly aligns with their direct expenditure. It should be noted that, over and above this, the organisation commits significant additional resources centrally to support local groups – reflecting the importance and priority that we attach to their work.

Group income and expenditure 2019

	£m
Group Income (direct)	3.3
Group Income from central accounts	0.7
Total Group Income	**4.0**
Group Expenditure (direct)	4.0
Local network support	2.1
Associated costs	1.2
Transfers to central programmes	0.57
Total Group Outgoings	**7.87**
Net Expenditure	**3.87**

Membership, membership top ups, grants and monies for events

Volunteering, H&S, Area fundraisers

Donations to research and central activities

Category	£'000s
Fundraising	280
Postage, printing and stationary	131
Day centre running costs	170
Travel Costs	353
Individual support grants	393
Grants to organisations to provide support to people with MS	171
Classes, treatments and MS nurse support	1,232
Social and outgoings	627
Other	614
Total	**3,971**