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Board Meeting - 12 June 2020

**Board Paper No. [7]**

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| **For Decision** | **Recommendation**  Board members are asked to provide feedback. |
| **For Monitoring** |
| **For Information** |

**1 Background**

As we move into the second half of 2020 OSS faces an increasingly challenging financial situation. This paper seeks to set out clearly the financial situation (at date of writing), potential consequences, and options which the Board have to consider in the coming months.

**The key date for decision making will be the Board meeting on August 28th.**

OSS has funding anticipated in 2021 but it is not banked and the recent Covid19 disruption has introduced further uncertainty. To summarise the background to the options and analysis in the following paper:

* Best case - OSS weathers a short-term storm, reaches early 2021, realises its pledges and secures new donations via comprehensive new Fundraising Strategy.
* Worst case - even with radical action OSS has insufficient funding in the foreseeable future to survive beyond early 2021.

**2 Board Action Required**

The Board is not being asked to make a decision at this point, but to consider the financial situation, probability of successful fundraising and various options. Comments or suggestions are welcomed.

If the financial situation remains largely the same the Executive Committee expects there to be a stark choice facing the Board on 28 August 2020:

1. OSS seeks to operate on a scaled back basis *pro tem* to allow time for new funding to be secured. If a scaled back option is decided upon, the best method of short term operation will have to be decided; and
2. OSS seeks dissolution and winds up as an organisation.

**3 Finances**

3.1 A Note on Covid19

As a result of Covid19 OSS applied for a charitable grant from the Scottish Government’s ‘Third Sector Resilience Fund’ but was turned down mainly due to having more than 3 months funding in place. The Executive Committee considered furloughing of staff but rejected this on two counts:

1. Furlough support was available to organisations who had furloughed staff because of Covid19. OSS whilst impacted by Covid19 had not had to stop because of it; and
2. The loss of momentum from having no working staff, when some fine work and progress was being made, was thought to be more damaging.

3.2 The Cost of OSS

To set the fundraising challenge in context, currently OSS requires core (unrestricted) funding of circa £100K per annum. This covers staff costs, consultancy (research, IT and accountancy), expenses and bank fees. Research projects are additional to this with funding generally tied (restricted) to specific projects and their costs.

It is unrestricted funding which is critical to OSS as it is required to pay staff and any fixed expenses.

OSS had £44,307 unrestricted funding banked at end May 2020.

3.3 The Current Position

The table below sets out OSS’ status quo position over the next 9 months with 3 sensitivities applied:

1A (least optimistic) – OSS’ unrestricted funding (banked)

1B (optimistic) - OSS’ unrestricted funding plus pledges made but not yet realised

1C (most optimistic) – OSS’ unrestricted funding plus pledges made but not yet realised, plus donations identified as part of three-year commitments and currently forecast gift aid of £3500.

Scenarios 1A and 1B show OSS in the red in November 2020. Scenario 1C shows OSS in the black throughout but dipping into the red by £3219 in January.



*Note 1. Unrestricted funds June 2020 based on May accounts from Henderson Black, May unrestricted figure minus monthly “run rate” of £8,442.*

*Note 2. Gift Aid figure estimate of £3500 per Henderson Black advice.*

**4 Fundraising**

The members of the Fundraising Committee have dedicated a great deal of time and effort into fundraising efforts on OSS’ behalf and the wider OSS family owes them all a great deal of thanks.

In the separate Fundraising papers (3 & 4) the new comprehensive fundraising strategy produced by the Director explains the new strategic focus, as well as the recent investment of 9k over three years in eTapestry, a CRM database management system to support fundraising efforts.

Decisions on OSS’ future financial viability will rely strongly on the optimism the Board places against the likelihood of sufficient new funding being secured. The extent to which Covid19 will adversely impact on these fundraising efforts is unknown.

**5 Options for OSS**

5.1 The Key Decision

Having taken account of the current financial situation and views of the OSS fundraising adviser on the probability of future fundraising success there will be a key decision for Board to make in August:

Option 1) OSS seeks dissolution and winds up as an organisation.

Option 2) OSS seeks to operate (most likely) on a scaled back basis until 2021, when new funding may be secured.

5.2 Option 1 – Dissolution, issues to consider

Process

OSS’ Board would require to make the decision to seek dissolution on August 28th.

OSS is a Scottish Charitable Incorporated Organisation (SCIO). To wind-up a SCIO it is OSCR who gives consent and controls the process. There are two separate processes set out by OSCR, one for a solvent SCIO and one for an insolvent SCIO. OSCR’s primary concern appears to be the use of any remaining assets, as reflected in this extract from the OSS Constitution (which is Standard Form);

*Winding-up*

*If the organisation is to be wound up or dissolved, the winding-up or dissolution process will be carried out in accordance with the procedures set out under the Charities and Trustee Investment (Scotland) Act 2005.*

*Any surplus assets available to the organisation immediately preceding its winding up or dissolution must be used for purposes which are the same as - or which closely resemble - the purposes of the organisation as set out in this constitution.*

An organisation applying to OSCR for dissolution is required to do so 42 days before the change is planned.

OSS Staff

OSS has two members of staff. A Director on a full-time contract (commenced 1 January 2019) and a Programme Officer on Fixed Term contract ending 11 September 2020. OSS’ Director has been employed for less than 2 years so would not be entitled to Statutory Redundancy Pay. In the event of redundancy he is due holiday pay for any leave not taken.

Both require one month’s notice and in line with current employment practice OSS is required to carry out consultation on redundancy with its staff (or union representatives, not applicable here).

Additional Costs

If the option of dissolution is decided on, there may be one-off costs to consider such as termination costs for IT, additional financial advisory support, pay due for leave etc.

5.3 Option Two – Scaled back operation, issues to consider

If OSS is to continue to operate on a scaled back basis until February 2021 (when a pledge of £15k is due) there are a few ways in which this might be implemented. To give the Board a feel for the scale of what might be required 2 staffing scenarios have been run on the same basis as the status quo, Scenario 1: Director only from August, no Programme Officer from mid-sept, £600 per month for consultancy (research or PM).

Scenario 2: Director 80% of salary from October, no consultancy or P0.

Each scenario has three sensitivities applied (the same as shown for the status quo, Scenario 1).

A (least optimistic) – OSS’ unrestricted funding (banked)

B (optimistic) - OSS’ unrestricted funding (banked) plus pledges made but not yet realised

C (most optimistic) – OSS’ unrestricted funding (banked) plus pledges made but not yet realised, plus donations identified as part of three year commitments and gift aid of £3500.

Scenario 1



Scenario 2



It is important to stress that these scenarios are not necessarily the optimum scaled back operational solutions. What they do show, however, is the reduction necessary in running costs in order for OSS to survive.

6 Summary

6.1 Partnering

For completeness it is perhaps worth mentioning there are multiple think tanks in Scotland and it is conceivable OSS could join forces with one with complementary skills and objectives. However, without funding OSS is not an attractive partner and could find itself being very much a minority “shareholder” with all the attendant risks that go with it. Even if a potential partner organisation could be found, typically these arrangements are tricky to negotiate and slow to put in place.

6.2 Timescales

Although the status quo *least optimistic scenario* shows OSS in the black until October 2020 clearly decisions have to be made well ahead of this point to ensure OSS is solvent, hence the need for a decision at the August 28th Board meeting.

6.3 Decision and Reporting

In simple terms, the Board will be asked in August to decide whether OSS should keep going for several months on a scaled back basis in the hope of securing new funding support. If the Board decides on an option where OSS continues then it may also like to request additional ongoing reporting on fundraising progress.

The Board’s input, support and expertise is very much appreciated as OSS seeks to navigate one of its greatest financial challenges to date.

Claire Phillips

OSS Trustee and Secretary

3 June 2020