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## Crisis Team Head Communique no.2 – Finances in Scouting Ireland

Ref : CMT -Out -02-2018

### Introduction

This communique is being issued by Martin Burbridge who was appointed by the NMC/Board to head the Crisis Team to try and steer a path through the crisis the NMC/Board and Scouting Ireland is facing. This is in addition to my other roles as chairperson of the Governance Review Group and chairperson of the Audit and Risk Management Committee. I admit to a bias in favour of the governance proposals because I have a deep belief that they offer a viable solution to the problems we are facing at Board level.

For those of you who do not know me I set out below some information about myself.

I was the first Chief Scout of Scouting Ireland, June 2003 to September 2008 and I am currently an Honorary Vice President. I am an experienced leader and people manager with a proven ability to plan, develop and implement strategy, to innovate new initiatives and to manage, direct and motivate others.

I worked for almost 40 years for IDA Ireland. Before I retired in 2010 I was Secretary to the Board and Head of Corporate Development & Property Division. Previously I held senior roles including Manager Property Division, Chief Accountant, Chief Financial Officer and Head of IT & Communications.

I was Chairperson of the Audit Committee of the World Organisation of the Scout Movement for 6 years.

I am a retired Fellow of the Chartered Institute of Management Accountants (FCMA) with a Diploma (with merit) in Business Studies in Strategy NCEA and undertook the Wharton Business School Executive Development Programme in November 2000 in

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PATRON Michael D. Higgins PRESIDENT OF IRELAND



Member of World Organisation of the Scout Movement

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Penn State University in the USA. I have been an Adult Leader Trainer in Scouting Ireland since the mid 1990's.

The above is just intended to give you an idea of my suitability to try and find a way through the current crisis.

This communique is the second in a series that I will issue in the coming week or two because I firmly believe that we need to share with you all as much information as possible about the predicament we find ourselves in and why. It sets out in some more detail the points made by the National Treasurer at the meetings in Carlow and Claregalway.

I will simply set out the factual situation and the options we are facing. I make no apology for trying to save our wonderful movement so if anyone accuses me of bias they are correct. I am biased in favour of Scouting Ireland surviving.

Some people will suggest that what I am about to discuss below is scaremongering. I wish that they were correct but I'm sorry to say nothing could be further from the truth. It is because of issues like those I will describe below that businesses fail.

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## Finances in Scouting Ireland

### Background

Scouting Ireland has an income and expenditure of about €4.5m per year. It should be stated at the outset that there are no concerns or governance questions regarding the management and control of SI finances. The Annual Financial Statements are fine, the budget management is excellent and financial procedures are very well managed. The current financial crisis has arisen for other reasons which I will come to a bit later.

Scouting Ireland is a complex business providing services and supports to over 500 Scout Groups, 40+ Scout Counties and 6 Provinces. To deliver these services and support the company has a board of up to 20 directors, 34 paid staff, 40 committees and teams and hundreds of volunteers. Managing all of this is complex.

SI income comes from two main sources with about 62% coming from membership fees and about 38% coming from Government funding. The membership fees generally come in in January and February of each year with the government funding being paid on a quarterly basis during the year.

At this time of the year Scouting Ireland has money in the bank and you might wonder why there is an immediate crisis because surely, we have enough money to pay our bills for several months. In normal circumstances we would, however, circumstances are not normal at present. I will explain this later.

In addition to expenditure on day to day expenses SI invests in longer term capital projects, e.g. refurbishments in Larch Hill, Killaloe, and Mount Melleray. These are very expensive projects and required SI taking out significant mortgage loans repayable over a number of years. Again, in normal circumstances everything is fine if you are paying back the loan as agreed. To date SI has been doing this correctly.

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Another long-term commitment is in relation to our 34 paid staff. They are employed either on a part time or permanent fulltime basis or in some cases on fixed period contracts. Quite a few of our staff have more than 15 years' service. If SI decided it would have to let the staff go because of a shortage of funds they are entitled to up to 8 weeks' notice.

The National Treasurer and the finance team continuously monitor our cashflow to ensure that SI will have sufficient funds to pay all our financial obligations as they fall due.

### **What are the unusual circumstances we are facing now?**

Once the freeze on further government funding was announced the National Treasurer and the Finance Team did cashflow projections for the remainder of the year including the fact that no further money will be received from the government unless the freeze is lifted by the Minister and that SI has no other significant sources of income.

In doing this they had to calculate how much money would be needed to pay the amounts legally payable to our staff should it be necessary to let them go. Under employment and company law SI is obliged to pay staff the full statutory amounts due when they cease working for the company.

The calculation of this amount (more than €1m) was made and so SI must be certain of having this money in the bank when staff must be let go. In the interim that money cannot be used for any other purpose

If confidence is lost in a company the financial institutions could immediately trigger conditions in the mortgage agreement to demand full repayment of the amount of the loan outstanding. SI must set aside funds to be able to pay these amounts (circa €900k) if such demands are made by our bankers. The alternative would be for the banks to seek to take ownership of our properties.

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You might wonder why we need to set aside cash for these various purposes now. Why don't we just fire ahead and ignore them. Well the Board of Scouting Ireland has significant obligations under the Companies Act, 2014 and under the Charities Act, 2009 that mean that the directors of the company must make certain these obligations are identified and honoured.

Failure to do so could expose the directors and the company to charges of reckless trading. Besides the penalties that might be imposed by a court of law should a determination of guilt be made it is probable that our insurers would declare that the Directors and Officers Insurance Cover would be invalid.

Consequently, the Board of Directors must earmark funds as described earlier or face the possibility of criminal charges. When these provisions are made and with no prospect of further government funding in the short term it has been calculated that SI would run out of cash by the end of July or early August. Staff are entitled to 8 weeks' notice which means protective notice must be issued very soon.

### Other issues to consider

Not wishing to scaremonger but if the above scenario came about, and staff had to be let go there are some of the consequences:

- Si would not have any paid staff to provide support and services to Provinces, Scout Counties and Scout Groups;
- There would be nobody to answer phones or emails or to liaise with suppliers and other organisations;
- We would not be able to pay our Safeguarding Manager and staff;
- Whilst the insurance premium has been paid for the year it is possible that the Insurers would refuse to continue to provide cover because SI could not provide the assurances the insurers need regarding the management and control of activities within SI. If this were to happen no SI Members would be

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able to avail of any the insurances currently in place;

- SI Scout Centres and other properties would have to be closed because we would have no insurance cover and no staff;
- If we were not able to discharge the loans on our properties in full there is a danger that the banks might seek to take over the mortgaged properties;
- There would be no money to pay any bills.

### National Programme Events

Members can rest assured that monies paid in for the Jambori, the Phoenix Challenge and other programme events will only be used for that purpose. They will not be used to pay any of the obligations mentioned above. However, it is certain that these events could not actually proceed as planned due to there being no Safeguarding or other staff available, nobody to pay bills and potentially no insurance cover.

It must be said that the possibility of volunteers stepping in to run the events is unworkable.

### The Board's dilemma

If there is no certainty of government funding the board must allocate funds as described above to discharge our legal obligations. Consequently, we will run out of cash and not be able to pay for anything after late July or early August. Because of this the Board is anxious to persuade the Minister to release funds to SI.

The Minister's concerns were originally raised because of the newspaper articles in the Irish Times but as she made enquiries she became concerned with the governance of SI at national level. As you know the Minister appointed an independent consultant to review the governance of SI and report back to the Minister. That report is due to be delivered to the Minister about now. Restoration of funding clearly depends on the findings and recommendations of that report and the response of the Board of Scouting Ireland. We are working hard to resolve the

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issue.

It is also clear that approval and implementation of the governance proposals would go a long way to satisfying the Minister that SI is serious about completely reforming governance at national level.

**Martin Burbridge**

**Head of Crisis Management Team**

**16<sup>th</sup> June 2018**

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