

Funding proposal to MBC signatories

Context

This paper follows on from discussion at the Working Group on 23 June 2020 and is intended to update signatories on progress and thinking. It is important that our work in this area has broad consensus so that any major issues or concerns are aired and addressed in good time. Please therefore let us know if you have any questions or concerns.

MBC's costs to date have been the consultancy fee paid to byrne dean for its support in promoting and developing MBC. That fee was originally set at £3,500 per month to be paid by the 12 original signatories equally over the course of the initial 18-month period to end August 2020. An additional £21k of consultancy fee was agreed in early 2020 to be paid by the first 21 signatories (the original 12 plus the 9 that joined in May 2019) to supplement byrne dean's fee for the period February to August 2020 – effectively doubling the monthly fee to £7,000 for that period. This was done to reflect the volume of work being done by byrne dean. Additional costs have been incurred in creating and maintaining the MBC website. Pinsent Masons and Addleshaw Goddard agreed to fund the creation of the website and byrne dean is paying the ongoing maintenance out of its monthly income.

From 1 September we will have to have a new funding structure. It has been clear to all signatories and any organisation expressing interest in becoming a signatory, that funding will have to be shared by all signatories. We have also indicated that it seems fair for there to be some account taken of organisation size in setting the relative contributions.

At the present time there is no MBC entity as such, and we are of course hoping to have that in place by 1 September. That will then allow for the opening of an MBC bank account and for there to be clearer demarcation between MBC and byrne dean.

With the proposed adoption of a CIO, the funding contribution will take the form of a membership fee. The purpose of this document is to seek agreement as to the level of contribution.

Assumptions

We are assuming that the signatories, or members as they may become in the new structure, will continue to want consultancy support and that whoever is appointed to provide that support will want to charge a fee in line with that currently agreed – ie c.£7,000 per month plus a small uplift of, say, £500 per month, making £7,500 per month or £90,000 per year. We very much hope that byrne dean's appointment will be continued but we fully recognise that this is a matter for the signatories or whichever sub group is responsible for this under the new structure to be created.

We would also note that, as part of the role of the consultant is to grow the signatory group, and that the bigger that group the more work there is in managing that group, the more successful the consultant is, the less commercially viable becomes the fee. We would therefore propose that any new fee structure includes some mechanism to increase the fee in line with increases in the size of the signatory group. We are assuming that the majority of current members will want to continue as signatories in the new structure, notwithstanding the membership fee that will be required.

We are assuming that there should be clear separation between MBC and byrne dean (or any other consultant appointed) such that the membership contribution should not be pegged solely to the consultancy fee and that it is reasonable to allow for some excess/reserves to pay for exceptional

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items in due course, such as events, travel, marketing or other such activity not falling within the consultancy fee.

Proposal

Given the suggested annual consultancy fee of £90,000 and a current signatory group of 54, we have approached the setting of the fee on an initially assumed average contribution of £2,000 per organisation per annum. That allows for a relatively small excess to manage exceptional expenses, pay for other services (eg organisational psychology support on impact assessment), create reserves, and also to take account of adjustments based on organisation size – until we have clarity as to where different organisations sit in the sliding scale we propose below, we will not be able to finalise the average fee and therefore what each organisation will ultimately pay. We would hope, however, that the buffer of £18,000 we are proposing would be enough to cover the risk of any shortfall between the membership contributions and the proposed consultancy fee.

As a general principle we feel it is right that smaller organisations should pay less than larger organisations and also that not for profit organisations who might want to join should also pay less than commercial entities.

We also recognise that for many large non law firm signatories, it may only be a part of the organisation (the legal team for example) that is concerned with MBC and that it would be wrong to assess the organisation purely upon its overall headcount. Further we recognise that assessing the right part of an organisation to take into account is not an exact science. Accordingly we are proposing an element of self-identification – organisations should indicate where they think they fit and we would only challenge that if we felt it appeared manifestly out of line with other organisations and how they had assessed themselves and/or with the spirit of the proposed structure – the reference to “relevant” employees below is intended to refer to those employees in the relevant part of an organisation.

Finally, we are conscious that headcount alone may be a blunt instrument where, for example, two law firms may have similar size headcounts but one is engaged in highly profitable city based work and another in much lower margin charitable or other work. We have considered other metrics to run alongside headcount but felt that this would become too complex and have therefore suggested the opportunity for an organisation to ask the trustees to allow an exceptional lower membership fee where it considers its situation to warrant that given all relevant factors. We are hopeful that this mechanism will be used only rarely to avoid the trustees being bogged down by multiple such applications.

We suggest 4 bands as follows:

- Band a to cover not for profit organisations, and other organisations with fewer than 25 relevant employees
- Band b to cover organisations with between 25 and 100 relevant employees
- Band c to cover organisations with between 101 and 500 relevant employees and
- Band d to cover organisations with more than 500 relevant employees.

We envisage that most signatories will sit in band c and therefore we propose provisionally that:

- the fee for band c be set at £2,000 per annum
- the fee for band a be set at £1,000 per annum
- the fee for band b be set at £1,500 per annum and
- the fee for band d be set at £2,500 per annum.

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As indicated, if an organisation feels that its headcount alone puts it into the wrong bracket then it may apply to the trustees for consideration of an exceptional lower membership fee.

We would ask each signatory now to:

- **let us know any serious concerns/objections to the proposed membership fee structure and level; or**
- **to self-identify as to where they would sit on this scale. We can then make sure, on the back of the self-identification, that this proposed funding structure works and can finalise the funding structure.**

The membership year should run from 1 September in each year. Membership fees would be reviewed on an annual basis with any change to take effect from that same date each year.

New signatories

Going forward, as new organisations commit to the Charter they should be required to pay a membership fee for the year in which they join, pro rata for the period of the membership year still outstanding as at the date they formally and publicly commit to the Charter (normally around 10 October and 10 May in each year).

The consultancy fee would then be reviewed at the end of the month in which new members make that commitment, currently October and May in each year, and increased by 50% of the percentage increase in membership numbers in that month – ie if the signatory group grew in size by 10% then there would be a 5% increase in the monthly consultancy fee. This would act as compensation for the increased workload the additional membership will involve. It would leave a big chunk of the additional membership fees to go into reserves.

What do we get for our money?

We hope that signatories already have a good sense of the benefit of membership. We are conscious, however, that all costs have to be justified and so we set out below some suggestions as to how the cost might be justified internally within your organisations.

MBC is a movement looking to change the way we work, to remove the causes of unnecessary stress and so to create healthier, and at the same time more effective, ways of working. MBC is a not for profit movement which relies on its members to fund its activity. Membership fees are there to enable MBC to develop in a sustainable way. Development will include growth – in signatory numbers, geographical spread and sector spread – but it will also include focus on effectiveness and thought leadership.

The membership fee should be considered in two ways, first the value of membership to the signatory organisation – what do you get out of it – and second a contribution to the wider purpose of MBC and its contribution to the effectiveness and sustainability of business activity.

The value to a signatory organisation includes:

- *participation in and access to shared learning and experiences from other signatories, through regular signatory calls, briefings and events*
- *access to thought leadership and insight from byrne dean and other signatories*
- *the opportunity to engage with other signatories on MBC terms when conducting business with the benefits to the healthiness and effectiveness of your business that this should provide*

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- *the deepening and strengthening of client relationships where these involve MBC working practices*
- *positive profile with your staff, possible recruits and the wider business community from being seen to be part of the initiative*
- *the opportunity to influence and shape the future direction of the initiative.*

We would also draw attention to the considerable amount of work that has already gone into creating and sustaining MBC and which continues to happen “behind the scenes”.

We hope that these benefits will, in themselves, justify the modest membership fee. We would also encourage signatories to see the fee as being in part a “good cause” contribution, under CSR or other budgets, to the benefit of the wider business community and the individuals who work therein.

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