

FINANCE COUNCIL MEETING 13 APRIL 2013**2012/13 FORECAST AND 2013/14 BUDGET**

The Board is pleased to present its 2012/13 forecast and 2013/14 budget to Council. Detailed figures are provided as part of a separate document: the present paper summarises the key features and the assumptions that have been made in arriving at the figures.

Executive Summary

- The 12 month period to 30 April 2013, which had been budgeted to break even, is expected to produce a modest surplus.
- Membership take-up is higher than the scenario underpinning the revised budget (which was based on a “low take up”), although there is inevitably a trade-off in lower Game Fee.
- The additional 4 month period to the new end of the financial year (31 August 2013) needs to be budgeted for, but does not give rise to particular issues, and the 16 month accounts are also expected to produce a modest surplus.
- The Board does not consider any increase in membership fees or Game Fee to be necessary for 2013/14.
- Both the 2013 European Team Championship and the 2014 Olympiad take place in the 2013/14 financial year, but the budget is able to absorb the net cost of both events and only indicates a deficit that is less than the amount of a prudent contingency provision.

The structure of the presentation

The budget has been previously organised into a relatively large number of sections that reflected the directorates that existed in the era of the BCF, notwithstanding the smaller number of members of the ECF Board. One consequence was that there continued to be completely separate sections for such areas as Women’s Chess, Congress Chess and National Coaching notwithstanding that the financial transactions in these areas were extremely small.

The presentation has been revised so that it is now aligned with the responsibilities of each of the executive directors, although a separate section has been retained for the British Championships in view of the significance of this area. Prior year actual and budget figures have generally¹ been aligned to reflect the new split: this means, for example, that what previously appeared under grading has been divided up, with items relating to the English grading system classified as Home, FIDE registration and rating fees as Membership and other FIDE items as International.

¹ There are occasional exceptions: for example, responsibility for the World Junior moved from Junior to International for 2012/13 but has now reverted to Junior, and the figures reflect where the responsibility lay.

The 2012/13 budget

The 2012/13 budget could not be approved at the April 2012 Finance Council meeting as the Board was unable to quantify on the day the financial impact of changes to Junior Game Fee agreed by the meeting. The budget was subsequently revised and approved by written resolution. The revised budget circulated for the purposes of the written resolution vote was drawn up at a summary level, and in some cases a degree of judgement has had to be applied in splitting the figures into the level of detail presented in the full budget document for 2013/14.

The change in financial year

The AGM approved a change in the financial year from 30 April to 31 August: notice of the change has been given to Companies House, and the Federation is presently part of the way through a 16 month financial year ending on 31 August 2013. This creates an issue concerning the comparison between the budget and the forecast, as the 2012/13 budget was predicated upon a 12 month financial year. To address this, the following approach has been adopted.

- (a) The forecast provides the Board's best estimate of the outcome for the 12 months ended 30 April 2013, so that there can be a meaningful comparison with the budget. As explained below, the prediction of further membership/Game Fee income is not easy.
- (b) Council is being asked to approve a budget for the 4 months from 1 May 2013 to 31 August 2013. There is little that can be done at this late stage to alter the figures, as the Game Fees and membership rates are fixed for this period and many of the competitions concluding in this period are already in progress.
- (c) Council is being asked to approve a budget for the 12 months from 1 September 2013 to 31 August 2014. Some of the events in this period are quite far in the future, and the Board will, if necessary, propose revisions to this approved budget at the AGM if that appears appropriate in the light of subsequent developments.

Apportionment of membership income

The split of the 16 month 2012/13 financial year into a 12 month period and a 4 month period is an exercise that is being performed specifically for the presentation of the papers for this meeting. While the allocation of most items of income and expenditure items between these two periods is objective, there is a judgement call over the split of membership income. The written resolution version of the budget carried forward an arbitrary 30% of the "new" membership income to the 4 month period: in the present papers a round amount sufficient to ensure that the administration costs in the period has been reflected. The result of this is to split the modest surplus anticipated for the 16 month accounting period between the 2012/13 forecast and the four month budget.

2012/13 forecast

4 month budget

The significant events within this period, apart from the normal administration costs, are:

- The 2013 British Championships in Torquay
- The World Schools and European Schools events, the U16 Youth Olympiad and the Glorney, Gilbert Stokes and Robinson Cups
- The completion of the ECF Schools Championship, County Championship and National Club events.

With the exception of the National Club, these are all expected to break even. Given the absence of a major International event in this period, there is consequently little taking place in this period for which decisions on expenditure need to be made.

2013/14 budget

Individual sections are commented upon below. The “big picture” features are as follows.

- The figures have been prepared on the basis of there being one organisation through to 31 August 2014. The implications of splitting the organisation if Chess England comes into being before that date will be addressed subsequently.
- Nothing in the figures leads the Board to consider that it is necessary to change the level of membership fees or Game Fee, and the resolutions proposed for these areas on the agenda reflect this.
- Modest further growth in membership (and therefore reduction in Game Fee) is predicted.
- A potential strain arises from the fact, discussed further in the International section, that the 2013 European Team Championships and the 2013 Olympiad both happen to fall into the same budget year. However, the overall effect of the figures is that the net Olympiad cost could be absorbed, as the budgeted deficit of £5,000 equates to the contingency provision. A number of factors contribute to this, including the fact that the PaysubsOnline development costs were of a one off nature for 2012/13. The implication is that in a “normal” year the ECF would be able to consider additional spending in other areas. 2014/15 will be a non-normal year, as with neither an Olympiad nor a European Team Championship one would expect, other things being equal, a surplus to emerge.

Administration

This combines the previously reported sections of general funding and management services, with the latter reflecting central costs, primarily those incurred in respect of the Office in Battle. Economies were sought in these costs following the loss of the DCMS grant, and these are reflected in the figures. One of the three members of staff has recently moved onto a 2 day week, and the budget is therefore based on 2.4 members of staff.

In the income section, the final receipt of grant is shown for 2010/11, and the reversal of the over-accrued £5,000 in 2011/12. There is one significant item in donations to which the attention of Council should be drawn. Martin Hawley, a strong correspondence player, died in 2012 at the age of 66. His pension trustee decided to make a lump sum payment of just under £12,000 to the ECF. The Board decided to apply £7,500 out of this to cover the costs

of the Rivera Centre for the 2013 British Championship: this element has been included as income in the Championships section of the figures, and the balance is included in administration under “donations”.

A modest amount of interest has been forecast as it is intended to place funds surplus to immediate cash requirements on fixed term deposit.

Membership

This combines the previously reported sections of direct members and Game Fee, and also picks up an element of FIDE costs since as one of the benefits of gold and platinum membership the ECF will cover the cost of the annual FIDE-rating registration fee and the cost of per-event FIDE rating fee for Swiss system events and leagues.

Under the present arrangements there is a trade-off between Game Fee and membership income. While a number of different scenarios had been considered in the revised budget for 2012/13, as noted above, Council had been asked to vote on the basis of a relatively low take up. The Board is encouraged that the actual take up has been noticeably higher, but the inevitable consequence has been lower Game Fee.

The fact that under the scheme a bronze membership taken out at any time during the year in effect acts retrospectively in respect of the grading of league, club and county games has made it particularly difficult to produce an accurate forecast. After considerable analysis, the Board has produced figures that it believes produce a conservative prediction of the likely overall outcome (although the split between membership and Game Fee is less certain).

In terms of mixture, there are noticeably more Platinum and Junior Gold members than had been anticipated. There is significantly more adult Bronze and less adult Silver membership income than in the budget.

There is old membership income as a result both of memberships taken out in 2012/13 prior to the new scheme going live and as a result of the release of the appropriate proportion of three year subscriptions taken out previously. This element was over-estimated by about £5,000.

Home

This combines the previously reported areas of Home, grading in part, Congress and Women’s Chess.

The main cost to this Directorate is the fee to the grading database administrator, which has been budgeted to continue at the present rate. Events are largely budgeted to break even, although the National Club has provided an exception to this, largely as a result of the small entry in the Open.

A Women’s championship is planned to be run, also on a break even basis.

The Directorate will investigate the possibility of bringing in house events with “British” in their title which are currently run independently of the ECF.

Junior

The Junior Directorate gratefully acknowledges the generous support that it receives from the John Robinson Youth Chess Trust. It sets out to send groups of players to events on a break-even basis, with parents funding the costs that cannot be absorbed through John Robinson and other funding. This model has seen a noticeable increase in the number of players representing England. Provided the event breaks even, the absolute amounts of income and expenditure are of secondary importance from a budgetary perspective, but the figures do seek to predict the expected quantum. For example, there are large budgeted amounts for the 2013 World Schools event in Greece, to which the ECF is sending its largest ever team for any event (48 players and 12 coaches). However, the 2014 event will be in Peru, much more expensive and therefore almost certainly less popular with parents, so lower absolute amounts have been projected.

International

The greater part of the net expenditure in this budget relates to the England Teams at the European Team Championships and the Olympiad. The International Director strongly believes that it is in the long term interest of English chess that the strongest possible teams (both Men's and Women's) should be sent to these events. The Board has voted to support this proposition and Council is being asked to do the same as a separate agenda item.

To achieve this requires a combination of direct support from ECF funds and donations/sponsorship. The former is indicated by the net spend in the budget, but the latter will not come about without considerable effort. The International Director is looking for support both from other members of the Board and from individual members of Council if this is to be achieved.

British Championships

The "actual" figures per the accounts related to Canterbury (2010/11) and Sheffield (2011/12): North Shields falls into 2012/13 and Torquay into the four month period. The outcome for North Shields was in line with the budgeted £4,000 deficit. A number of donations enabled conditions that had not been budgeted for to be offered.

For Torquay, the cost of using the Riviera Centre is £7,500 (whereas the majority of recent venues have been free) and a figure for conditions has been included in the budget as it is important that the 100th event has a quality entry. Through a combination of the use of £7,500 from the Martin Hawley money referred to under administration and a donation of £10,000 it has been possible to absorb these items, fund the accommodation of a full arbiter team and still produce a break even budget. Any sponsorship or further donations received will be used to increase the conditions.

The venue and format of the 2014 event have not yet been determined. Some assumed figures showing a break even position on the basis of a zero venue cost have been included: Council may be asked at the AGM to agree changes to these figures.

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