

Finance Council Meeting 12 April 2014**2013/2014 Forecast and 2014/15 Budget**

The Board is pleased to present its forecast for the current year 2013/14 and its budget for 2014/15 with the addition of forward views of the financial positions in 2015/16 and 2016/17 under different financial strategies. These are provided in a separate document to which this paper refers.

Executive Summary

- The 12 month period for 2013/14 which had been budgeted to produce a small surplus, is expected to produce a good surplus of £21k.
- Membership income for the year is higher than expected and demonstrates the success of this new scheme. It is anticipated that Game fee income will be on budget, but inevitably lower than in previous years, as more players decide it is beneficial to become members.
- During this year there have been both an Olympiad and European Team Championship resulting in a high level of expenditure for the International Directorate. Usually, only one of these tournaments is staged in any one year.
- Additional funding of up to £4,000 was approved by the Board in respect of the Women's team at the European Team Championships
- The Office Manager's position has been vacant since the end of September and the role has been performed on a voluntary basis. This has resulted in a substantial saving on Administration costs this year. This should only be seen as a one-off saving, and the 2015/16 budget assumes that a salary is paid to an Office Manager from 1 September 2014..
- As there will be no major international events next year there will be savings on the International activities which will allow an overall surplus to be budgeted. The Board does not consider there will be a need to increase membership fees for 2014/15.
- The Reserves position will be improved after the current year's forecast surplus and the budgeted surplus for 2014/15 to £72k.

Forward Guidance

The Federation has struggled in recent years to maintain its financial position, particularly after the loss of government support several years ago. The reserves position has steadily declined, despite a previous Council's desire to maintain a reserve position of at least £50k. That was many years ago and with the effects of inflation that sum would be much greater in today's world. Whether we agree with the government's position or not, it appears that the Federation will have to provide the means to perform its activities and meet its ambitions from its own resources.

Looking forward, next year's budget is relatively easy; there are no major international tournaments to fund. A good surplus on activities can be made without increasing membership fees. The following years are more challenging because of the range of activities that are proposed to be funded, particularly on the international scene and additions to the budgets to support Seniors, Women and Junior Chess. All these are valid claims on the Federation's funds.

The Federation needs to take a longer term view of its finances. Is it going to remain static or does it want to develop and engage more actively on behalf of its members and chess players generally? Having a well funded organisation will allow Council and the Board to be more ambitious. The

Federation can pursue more enhancing activities to bring benefits. Hence the need to provide adequate funding. In the longer term the Federation needs to rebuild its reserve base so that it has the resources to undertake these activities. It is suggested that a total reserve of £100k would be more appropriate for the future. It is believed that this can be achieved over the next few years with modest membership fee increases provided costs are kept under control.

There is a challenge in this. There are increasing pressures on the Federation's funds for international and other activities in the short term. To assist members of Council a range of scenarios on future years' budget is included in this report. The options are looking at the impact of improving our reserve position to the £100k goal and what might be the impact of fully funding the international activities. This is not a decision that has to be made at this meeting, but the subject is worthy of debate so that the Board has a better understanding of Council's view on future years' funding arrangements.

Members should note that for every £10,000 of expenditure authorised membership fees need to rise by £1 plus VAT on average. The workings sheets assume that increases are not flat but are higher in absolute terms for the higher categories of membership.

Structure of Report

The paper attached is organised to provide:

- i. (a) Summary 1 -The forecast for the current year 2013/14 with the interim position for the year after six months
- i. (b) Summary 1 -The proposed budget for the year 2014/15 with a forward view for the following two years – Base Level Funding of International and Reserve Target of £100k not met.
- ii. Summary 2 - The same as i (a) and i (b) above with different options for the following two years - International Funded at Base Level and Reserves target of £100k met.
- iii. Summary 3 - The same as i (a) and i (b) above with different options for the following two years - International Fully Funded but Reserves Target of £100k not met.
- iv. Summary 4 - The same as i (a) and i (b) above with different options for the following two years - International Fully funded and Reserves Target of £100k met.

Each of these is explained below.

i. (a) Summary 1 – Forecast for 2013/14

The forecast for 2013/14 is a surplus of approximately £21k against a budget of £0.9k.

This result has been achieved from savings in the Office Manager's post in Administration. This role has been performed by a volunteer on a temporary basis. Forecast membership income of £12k above budget has also improved income. For International activities extra funds have been provided for the Women's International team in the European Championship as donations to support the teams have been lower than anticipated

If the forecast surplus is met the Profit and loss Account Reserve will be enhanced from -£10k to £11k, bringing total reserves to £51k.

i. (b) Summary 1 – Budget for 2014/15 and following two years - Base Level Funding of International and Reserve Target of £100k Not met.

The budget for 2014/15 is based largely on the results of the current year with the following exceptions:

- The International activities will be lower as there are no major events in this year, but additional funds have been provided to support Seniors Chess (£2,000) and other activities
- For Home activities additional funds have been provided for Women's Chess (£2,000)
- For Junior Chess & Education additional funds have been provided of £5,000.
- A new post of Commercial Director has been created and an allowance of £1,000 has been made to cover his/her initial activities
- The Administration budget provides for a full staffing of the Office, salary increases and some improvements to the Office technology.
- A small game fee increase is proposed. See motion on agenda. It is anticipated that players will increasingly move to the membership scheme and a small transfer of Game Fee income of £2,000 to the Membership Scheme has been assumed.
- A contingency sum of £5,000 has been included.

The budgeted surplus for the year is £21k which will bring total Reserves to £72k by 31 August 2015.

The proposed budget for the following two years is based on two increases in membership fees, one in each year, which can be found in the Working Sheet 1 which shows increases of £2 for Platinum, £1 for Gold members and 0.50p for Silver and Bronze members in each year. The budgeted costs of the International activities are to rise (see detailed International budget); this is referred to as the base level of funding for the International activities. This scenario will see a decline in the surpluses that can be achieved in each of these years.

ii. Summary 2 - The same as i and ii above with different options for the following two years - International Funded at Base Level and Reserves target of £100k met.

This shows the same budget for 2014/15 but membership fees for the following two years have been further increased with the objective of bringing the total Reserves to £100k. The International activities would be funded at the base level.

This option for the following two years is based on one increase in membership fees for 2015/16 remaining in place for the two years; no further increase for 2016/17. Details can be found in the Working Sheet 2 which shows increases of £5.50 for Platinum, £3.50 for Gold, £2 for Silver and £1 for Bronze.

iii. Summary 3 - The same as i and ii above with different options for the following two years – International Fully Funded but Reserves Target of £100k not met.

This shows the same budget for 2014/15 but membership fees for the following two years have been further increased with the objective of FULLY funding the International activities, while leaving

reserves in line with the base case. In this scenario the International activities would be completely funded by the Federation with no allowance for donations to be received.

This option for the following two years is based on one increase in membership fees remaining in place for the two years; no increase in the second year. Details can be found in the Working Sheet 3 which shows increases of £7 for Platinum, £3.50 for Gold, £2 for Silver and £1.50 for Bronze.

v. Summary 4 - The same as i and ii above with different options for the following two years – International Fully funded and Reserves Target of £100k met.

This shows the same budget for 2014/15 but membership fees for the following two years have been further increased with the objective of FULLY funding the International activities and bringing the total Reserves to £100k after three years. In this scenario the International activities would be completely funded by the Federation with no allowance for donations and the Reserves objective would be met.

This option for the following two years is based on one increase in membership fees remaining in place for the two years; no increase in the second year. Details can be found in the Working Sheet 4 which shows increases of £7.50 for Platinum, £5.50 for Gold, £3.50 for Silver and £2 for Bronze.