

# 2015/16 Budget

Finance Council Meeting 18 April 2015

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## 2014/2015 Forecast and 2015/16 Budget

The Board is pleased to present its forecast for the current year 2014/15 and its budget for 2015/16 with the addition of forward views of the financial positions in 2016/17 and 2017/18. These are provided in a separate document to which this paper refers.

### Executive Summary

- The 12 month period for 2014/15 was budgeted to produce a surplus of £22,500 for the year, mainly because no Olympiad or European tournaments were to take place. In the event a surplus of £35,000 is anticipated as an Office Manager was not appointed until March with a consequent saving in salary etc.
- The combined Membership and Game Fee income for the year is in line with budget. Game Fee income is lower as players decide to become members, thus increasing the membership income stream. It is considered that this will be a continuing trend.
- There are some forecast variations in expenditure:
  - Home : an additional £500 was approved by the Board to support chess in Prisons
  - International : £4000 less
  - Administration: £15000 less primarily as an Office Manager was not appointed until mid-way through the year.
  - Taxation is greater because of the greater surpluses
- A new item has been included in this year's forecast costs for the relocation of the chess library and archives. £4,600 has been allowed for an initial structural survey (already carried out), removal costs and rental of the additional space for accommodating the library. The other alternative that the Board investigated was to increase the accommodation of the Office at Battle. This would have incurred the same removal costs and in addition reinforcement and shelving costs plus additional rental costs of £8,126 pa. The figures for this option are given in the supplementary pages to the budget proposals.
- The Board agreed to invest a further £5,500 in equipment to improve the presentation of the British Chess Championships. This will be reflected in future years' depreciation charge.
- The Reserves position will be improved after the current year's good surplus to a forecast £87k which is substantial progress toward the Board's target of £100k articulated at the last Finance Council meeting.
- The budget for 2015/16 and onwards reflects some increases in costs and the Board's ambitions to deliver an improved ECF. These are explained under Forward Guidance below.

### Forward Guidance 2015/16

The Federation is now improving its financial position compared to recent years. This has largely been a result of chance as we had made savings on the Office Manager position with a volunteer undertaking those duties. The reserves will be healthier at the end of this year and the Federation should take advantage of building on this position.

As I noted last April it appears that the Federation will have to provide the means to perform its activities and meet its ambitions from its own resources until it acquires substantial donations or sponsorship.

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As part of the Board's strategic review in November financial targets were set for future years. The first is to achieve an annual surplus equivalent to 5% to 10% of gross membership and game fee income over a three year cycle. The second was to achieve the £100k Reserves target and in the longer term to move to a position of a target of Reserves at 2/3rds of gross annual membership and game fee income. This will place the Federation in a strong position against any unfortunate events, and for future developments and initiatives.

Looking forward, next year's budget shows increases in some of our costs which are worth noting:

- International – please note that 2014/15 no Olympiad or European was held
- Junior – the funding of the ECF Academy in its initial years
- Additional costs for the accommodating the Chess Library and archives in self storage while further analysis is continued to determine their long term future.
- Administration –the Federation needs to provide pensions for its staff in line with legislation and there is an allowance for future salary increases if agreed.
- Commercial – to support the establishment of the new commercial function

In addition the Board is continuing to support a wider range of activities for Seniors, Women, Prisons and Elite Development.

In order to meet these costs and continue improving the financial position the Board are recommending increasing in annual membership fees as follows:

- Bronze from £13 to £15, Silver £18 to £21, Gold £28 to £32, Platinum to remain at £60.
- Game Fee from £2 to £2.50.

Membership fees have not increased since the inception of the membership scheme. The Board has decided not to increase Platinum membership as it also proposes to terminate the Yearbook which is currently provided free of charge to Platinum members.

Please note that it is anticipated that Game Fee income will continue to decline as more players become members and this will simplify administration in the Office.

The overall impact of these changes is to enable the Board to cover its planned expenditure and to produce a small surplus for 2015/16 in line with its longer term objectives.

### **Forward Guidance 2016/17 onwards**

The key changes for expenditure in the years after 2015/16 are:

- Junior – planned declining support for the Academy as its operation becomes more robust and financially self sufficient
- The Chess Library and archives will require a continuing expenditure of an estimated £2500 pa for storage until a longer term solution is found.
- International costs will increase with less reliance on donations which are becoming more difficult to attract.

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- Administration costs include an allowance for the new pension scheme and potential salary increases

As part of the decisions for Council to confirm the Board are requesting that the budget (£36000) for the Olympiad event in 2016 is approved at this meeting. To approve it in April 2016 will not allow enough time to organise the best team for the event in September.

### **The Chess Trust**

Registration of The Chess Trust, the charitable arm of the ECF, has now been agreed by the Charity Commission. This may provide some opportunities and flexibility in how the Federation seeks income and deploys its financial resources. Administrative work is still in progress so that the trust can be fully operational soon. The Trustees of the Permanent Invested Fund, the Trustees of The Chess Trust and the Board will consider the options available which will be placed before a future Council meeting.

### **Approvals**

Approvals required:

- Council are invited to note this report
- Approve the budget for 2015/16
- Approve the 2016/17 Olympiad budget of £36000 less an anticipated £2500 income.
- Approve the proposed membership fees which will be in a separate motion placed before Council

David Eustace

Finance Director