

## **ECF Finances – April 2015**

This is briefing paper to explain the ECF finances and the rationale behind the budget proposals for the 2015/16 budget. This should be read in conjunction with the budget papers presented for Council's consideration.

### **Retained Funds Available or Associated with the ECF**

The figures given in this section are based on the position as at 31<sup>st</sup> August 2014, the date of the last set of full accounts which are available to members at the April Finance Council. There is no reason to believe that current figures will differ significantly from those given.

#### a) The British Chess Federation and the Permanent Invested Fund

The British Chess Federation is the original body for chess in England. When the ECF was created it was decided to leave the BCF in place as many of the past legacies had been bequeathed to the BCF, and there needed to be no doubt that the monies would remain with the BCF/ECF. The BCF is almost a mirror organisation of the ECF with a few differences. The directors of both boards are the same with one minor exception..

The BCF holds the Permanent Invested Fund (PIF) as its principal asset. The Fund is managed by three trustees appointed by the BCF; trustees can only be removed under special circumstances. The current period of the fund ends in May 2016 when it can be extended or terminated and funds returned to the direct control of the BCF.

The PIF is split into two parts:

- i. Fund No1. This is the original fund of the legacies etc received by the BCF. Its current market value is £197,372 which includes unquoted shares in the Chess Centre Ltd. Disbursements of capital can only be made by the trustees on the authority of a resolution of Council. This fund is very much regarded as a final fall back reserve.
- ii. Fund No2. This is the fund bequeathed to the BCF by John Robinson. Its current market value is £120,209.

Both funds are managed to provide a grant of £5,000 each year to each congress of the British Chess Championships.

#### b) The John Robinson Youth Chess Trust (JRYT)

The JRYT is a separate charitable trust established from a bequest by John Robinson. It is separate from the ECF and BCF and is managed by four trustees. Its current market value is £583,526; it holds other assets in cash etc of £18,000. The trustees made grants of about £22,000 in 2013/2014, of which £7,000 supported the event and coaching at the British Chess Championships.

c) The Reserves of the ECF

The ECF held reserves of some £52,199 at the end of August 2014. If the current year's forecast is maintained that will increase to £88,000. These reserves consist of:

- Retained funds from the Profit/Loss account:	£13,209
- Legacies received	£35,578
- Alexander Prize Fund	£ 1,330
- General Fund inherited from the BCF	£ 2,082

Besides using some of the funds for prizes (BCC) this is the fall back fund for the ECF if it should ever need funds at short notice due to unforeseen circumstances and for potential future investments in chess.

## **2015/16 Budget**

### **Background**

The Board agreed its proposed 2015/16 budget at its meeting of 20<sup>th</sup> March. The budget also included indicative budgets for the following two years for Council's information and consideration, though Council will only be requested to approve the 2015/16 budget plus the budget for the Olympiad teams for 2016/17.

Financially 2014/15 will be a successful year for the ECF. An expected surplus of £35,000 is an exception and has largely been achieved because an Office Manager was not employed for the majority of the year and there were no major international tournaments included. In the previous year two major international events were held in a single year which was unusual.

From the ECF's Strategy Statement (C22.7) which is being placed before Council the Board proposes some developmental and financial targets amongst other objectives:

- Development of the international teams and the creation of the ECF Academy
- To achieve a 5% to 10% surplus on its combined gross Membership and Game Fee income per annum over a three year cycle
- To increase the reserves to £100,000 which was a target articulated at Council in April 2014. In the longer term the Board proposes to maintain reserves at two-thirds of annual income as measured by gross Membership and Game Fee receipts.

#### Changes to the budget in 2015/16 compared to 2014/15 Forecast

All the following figures can be found in the budget papers submitted to Council.

The budget for 2015/16 contains the following changes (key reasons have been annotated):

<b>Expenditure</b>	<b>£</b>	<b>Notes</b>
Home Chess	- 245	No change
Junior	+ 3,000	Increase in funding to seed the ECF Academy. This falls in subsequent years once established.
International	+ 27,500	European event compared to no event in previous year.
Commercial	+ 2,499	To establish the Commercial function
Administration	+ 17,058	Office Manager employed for full year. Auto- enrolment pension to be established. Salary increases included. FIDE Delegate expenses (the previous Delegate did not claim expenses)
Library	+ 2,078	Additional costs of accommodation of library in self storage. Contingency used for 2014/15 library costs.
Contingency	+ 5,000	

Taxation	- 6,025	reduced surpluses equals less taxation
<b>Total Exp Increase</b>	<b>+ 46,709</b>	
<b>Income</b>		
Membership	+ 22,669	Increases in membership fees in schedule working paper – No 10
Game Fee	- 59	little change
<b>Total</b>	<b>+ 22,610</b>	
<b>Net Change in Income</b>	<b>- 24,099</b>	Compared to 2014/15 forecast this will result in a surplus of £11,444 representing 6.5% of gross membership and fee income. This will be added to Reserves.

There are several key cost drivers to the ECF budget: Administration and International.

### **Administration Budget**

The Administration budget is mainly the provision of 2.4 members of staff plus the associated costs of providing the accommodation and services they need in order to operate. Expenses of the President, Council, Board, FIDE Delegate and other officials are also budgeted here. The Board has asked for a review of the operation of the Office to verify that the Federation is obtaining value for money. The Office performs a range of duties to support a national organisation which interfaces with the international world. The list of activities is extensive even though the organisation is relatively small and covers amongst other duties membership and website management, information services, supporting the organisation of events etc. Proposals have been made to reduce costs e.g. termination of the Yearbook and diary, but this represents only a minor saving. The only way to make substantial savings in this area is to reduce the Office headcount. If staff numbers fall below 2, then the Office will need to have periods of closure or seek voluntary coverage. Please note that the duties of the Office have recently been increased to cover the Minutes Secretary role and possibly the International Rating Officer role.

## **International Budget**

For many years the international teams were sponsored largely by commercial organisations and for a few years the government grant assisted. When this sponsorship terminated the Federation has been unable to find any replacement substantial sponsors.

For 2015/16 the international budget has increased to allow for funding the European Championship teams. The International Director has included a sum for donations, but he is increasingly finding resistance from the same donors for continual donations. Council did agree that the ECF should endeavour to present its strongest teams for Olympiad and European events; past donations have cushioned the cost of these activities. If these are not forthcoming then the cost of supporting teams will increase unless a sponsor / donor is found, or Council adjusts its aspiration to send the strongest teams. We do not want to get into the position where following Council's decision to reduce the international budget, funding for a Women's team was inadequate, and Council had to reverse its original decision in a last minute retreat.

The International Director considers that current donations will become more scarce in 2016/17 and hence the increase in the international budget in that year onwards. He has asked the Board to request that the budget for the 2016 Olympiad is agreed at this Council meeting in order to allow him adequate time to engage and organise the teams for September. Agreement to the 2016/17 budget in April 2016 will be too late.

## **Membership fees**

In order to meet its financial expenditure commitments and its financial targets the Board agreed a range of membership and game fee increases. Membership and game fees have not increased since the inception of the membership scheme. The Board has had to meet rising costs in some areas and, also wishes to development its ability to innovate and invest in its activities for chess in England. To do this successfully it will require an increase in secure long term funding.

## **Comment**

The ECF long term funding is relatively good with the PIF as a final fall back reserve; it also provides funding for the British Chess Championships. Its current reserves position is not strong and its recent inability over a number of years to generate long term surpluses of income for investment in future activities impairs the Board's ability to innovate and invest in chess in England.

The British Chess Championships is basically run at a loss if you exclude the donations from PIF funds and the JRYT, and often a donation from a local organisation; most years the managers of the BCC struggle to balance the books for the event. In my view the BCC is making a regular loss and only survives in its current form on the basis of the generosity of past and current donors. The ECF should place itself in a position to ensure such key events are properly funded. Small increases in membership fees over a large number of individuals will generate worthwhile sums that can be used to develop chess in England and the services provided by the ECF to its members.

The Board have agreed clear financial targets to develop these surpluses to enhance the financial strength of the Federation.

Once a robust financial position is assured Council may be able to devote more time to the strategic development of game within England and demand that its Board delivers against its goals.

Please note that the Board's strategy is to develop chess and improve its financial standing. The three elements of expenditure, level of reserves and membership/game fees are all inter-linked. Proposals to change one will have a knock on effect. Any changes to the Board's proposed budget will need to address all the elements as appropriate.

David Eustace

Finance Director

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