

This is an update version of the report dated 26<sup>th</sup> March.

ECF 2015/16 Accounts

The final accounts are presented for consideration. If members recall at the time of the last meeting the accounts had been tabled but were still subject to final review. You will notice that an adjustment has been made to final version which reduces the surplus and the corporation tax liability for the year. No monies have been lost as such; it is that the treatment of some activities has been moved into 2016/17. At the October 2017 meeting the presented accounts were approved subject to final review.

ECF Accounts 2016/17

The draft 2016/17 accounts are tabled for consideration.

The results for 2016/17 show a reasonable result with lower loss on activities than had been planned £4,493 which is pleasing compared to the planned loss of £19,211.

The improved result has mainly benefited partly from the change in the 2015/16 accounts resulting in a carry forward of income into the 2016/17 accounts by £9,000.

As I reported last time tax returns going back to 2011/12 had not been submitted. This has now corrected.

Membership

There has been a much improved collection on Game Fee, producing over double its past collection rate. Thanks go to the Office and the additional assistance (Paul Buswell) recruited to professionalise the invoicing of Game Fee. Given the changes in Game Fee application introduced for this year it is anticipated that this is a one-off improved situation.

The contra to this is that we believe there will be a sharp decline in Game Fee income from Leagues and Clubs, but no one is prepared to give a forecast other than a “guestimate” for this year’s income; we will have to await the position in June/July when clubs and leagues account for their results submission. However, we are expecting an increase in players enjoying ECF facilities by joining as Members. The increased income is illustrated in the increase in Membership income from a budgeted £ 175k to a forecast £189k.

The Board is implementing a new membership software product, Azsolve, which will be in place for the 2018/19 membership renewal. This will have some implementation costs coming through in the next few months, but it is anticipated that these will be contained within budget. In the long term the Board believes that the product will provide an improved service and will be cheaper to operate.

The management of FIDE membership and rating fees has been transferred to the Membership Director to rather than having it in two directorates. This is quite a complex area that needs some focussed attention.

## Home

Home directorate activities are fairly stable. The large amounts of income and expenditure is from the Tradewise sponsorship, of which half (£10,000) is transferred directly to the Hasting Congress. The Home Director has taken advantage of the other half to enhance the Grand Prix and British competitions. It is understood that Tradewise will in future only be supporting the Hastings event.

The British Chess Championships is the responsibility of the Home Director, but accounted for separately.

## British Chess Championships

The 2017 congress at Llandudno event was very successful and produced a result slightly better than budget, a loss of £3,155. The Board had budgeted for a £5k loss. The event was supported by substantial sponsorship from the Polar Capital (£30k), John Robinson Youth Chess Trust (£7.5k) and the Permanent Invested Fund of the BCF (£5k).

For the 2018 congress at Hull it is anticipated that the main sponsor will provide a higher sum (£35k), the additional amount to be dedicated to improved publicity for the event. It also anticipated that the JRYCT and the PIF will provide similar amounts.

## Junior

The Junior directorate had a very busy year particularly in establishing the new Academy. This appears to have been a good success, the numbers are much greater than originally anticipated and good results from our junior players are anticipated. Though parents contribute fees, and some their time, this enterprise is going to need further support from the ECF and its associated organisations interested in furthering chess in juniors and into adulthood. This area is one of our key drivers for the medium term and the budget figures will demonstrate the Board's commitment. Despite the level of activity the Junior Director is managing to stay close to budget overall.

## International

The International Director very successfully managed to obtain £26k of sponsorship funding to support the Olympiad team in 2016. Unfortunately, we were not so successful for the European Team event for October 2017. It was decided to contract for some of the expenses in the 2016/17 to support the event in the following year 2017/18. This meant that some of the budget in 2016/17 was utilised to support that event. However, the directorate was only slightly overall overspent by a small amount in 2016/17 (£784).

On a broader issue, though the Board presents its budget on the basis that there will be base cost covered by members through membership and game fees, and additional costs will be provided from outside sources, it is not always possible to obtain sponsorship/donations to cover those additional costs. Therefore, we are going to be faced with the question: Do we send our best team or a team at all if we do not obtain outside funding. It is becoming more difficult to send good teams on just the base cost; many of our best players are professionals – you have to be to compete at the top table. So we will need to face these questions from time to time. Sending less than our best teams will, I anticipate, result in less good results.

A successful Seniors team organised by Stewart Reuben competed in an international event for our older members, largely at their own cost, which goes to show it is not all about juniors.

### Administration

The administration of the Federation has had number changes which has increased costs

Audit, Tax and Bookkeeping and invoicing:

- Outsourcing the bookkeeping service and implementation of the bookkeeping software
- Outsourcing the Company Secretarial role
- Support for invoicing of Game Fee
- Additional support for audit, tax and accountancy work

The peak of the workload is now over, but the running costs will remain higher than previously by some £13k per annum

### Office and Library

The Library has been moved from its storage and is now accommodated with the Office at Battle. This has involved moving costs:

- Office/Library relocation (£1250)
- Telecommunications upgrade (£1700)
- Additional cost of the enlarged accommodation for the Office, the Library and archive storage (£1400 for the last few months of the year, rising to £15,600 per annum for future years).

### Mindsport Centre

A contribution of £2935 was contributed to the Go Association initiative for a Mindsports Centre as approved by Council.

As the forecast for 2017/18 and the budget for future years illustrates administration costs have moved to a permanent higher level.

### VAT Tribunal

Members will recall at the last Council meeting it was reported that the European Court of Justice was going to rule on the game of Bridge and the implications for the payment of VAT on its fees. The ECF had lodged an appeal on the past four years VAT payments. Unfortunately, the Court ruled against Bridge as a sport and hence the case was lost. Therefore, our claim failed.

### Actuals to Date for 2017/18

I have provided actuals for the current year. Although the position shows a very healthy bottom line position please remember that there are a number of heavy costs to come through over the next

few months which will change that figure. The ECF finances generally operate on the basis that most of most of our membership income is received early in the year and our costs are spread out over the next 12 months; hence, the finances will always look good until the final bills are received in the last few months. They are for information only and subject to review by individual directors as they are up to 20<sup>th</sup> April and time has not been available for them to comment. The real column to look at is the forecast for 2017/18 which shows that we are fairly close (£-13k) to the target loss of £19k.

### Budget for 2018/19 and onwards

#### General

The Board is pleased to table its budget for 2018/19 for Council's approval with two further years' budgets for Council's consideration.

The budget for the next three years is ambitious. The Federation is planning to invest in its Junior programme while maintaining a reasonable financial position over the medium term. In the early years the Board will have to utilise some of the Reserve funds, but it will continue to ensure that a reasonably healthy financial position is maintained. The long term goal is still to maintain Reserves of £100k and in the current planning cycle any shortfalls will need to be addressed in 4 or 5 years time.

In the current year there are good indications that Membership numbers are growing; this is probably explained by the changes in Game Fee application and the growth in junior players. The Board has decided to set targets to grow its Membership numbers by 5% per annum from 2018/19 to 2020/21 (500 new members has actually been used in the calculation). This will increase the capacity of the Federation to support its activities. In particular the Board believes investment in Junior chess is vital to address some of the declines experienced by demography –the chess community is getting older. The Federation is planning to invest in its Academy alongside the initiative being promoted by the Chess Trust. The Trust is committing to support an Accelerator Programme for the most talented junior players to enable them to have the best support available to encourage them to gain titles and become our strong players of the future.

The increase in Membership numbers will be key to the success of the Board's plan. The Board will be seeking opportunities to increase membership and numbers will be regularly monitored. If numbers and income do not materialise then the expenditure budgets will have to be reviewed.

As a policy the Board is continuing to budget on the basis that the membership will support the core, on-going operational activities of the Federation and that additional discretionary spend (Accelerator Programme, appearance fees) will be funded by contributions from donations, sponsorship and Trust funds as appropriate. As I mentioned above, obtaining additional, outside funds for particular activities may not always be possible. On those occasions difficult decisions may have to be made whether or not to participate in an activity and at what level of financial commitment is needed. I trust members will support the endeavours of the Board who have to resolve these issues.

Members should also note that the support activities of the Federation have been experiencing changes. Details are given below.

The Board is continuing to co-operate closely with other organisations, particularly in the Junior arena (Chess Trust, John Robinson Youth Chess Trust) to increase to explore opportunities for increasing membership and avoid duplication of effort and expenditure.

### Membership

As already mentioned Member numbers are growing. The budget has been based on a growth of 500 members per annum until 2020/21 with an increase in membership fees in 2019/20. Also, the budget takes account of proposals for Junior Membership and Game Fees for 2018/19 onwards. Details of the proposed changes will be presented by the Director of Membership.

The existing membership system will be replaced for the new year 2018/19. PaySubsOnline will be replaced by Azsolve. It is intended that this system will provide an improved interface for Members joining and better information and facilities for use by the Office. As part of the changes the £1 discount for joining online will no longer be available and it is proposed to introduce a regular direct debit facility.

Please note for future years Grading Administration and the management of FIDE fees will move to the Director of Membership from the Home and International Directors respectively.

The Board is improving some of the core services: League Management, Membership system and accounting systems.

### Administration

First, the major change during 2016/17 was the housing of the National Chess Library permanently with the Office in enlarged accommodation at Battle. Volunteers have moved the library from Safestore, assembled bookcases, sorted the contents of the many boxes of books (6,000 plus volumes, started the task of cataloguing the books, and floored the loft spaces above the Office for storage. Particular thanks to George Jelliss, JulieDenning and others for supporting this work. Members are advised that the Board have engaged an expert book seller to advise on the value of the library. The good news is that it is more valuable than previously thought. The bad news is that it will cost more to insure and maybe house in improved security is required. No budget has been provided for these costs.

The new book keeping system is now settling down and management reports are being produced on a regular basis. The engagement of assistance for the invoicing of Game Fee has obviously proved effective and good value for money. It is anticipated that the invoicing requirement will decline after this year when Game Fee is principally collected for congresses.

With these changes the administration costs have increased. There is now larger and more appropriate accommodation and support costs have increased as explained earlier.

In the coming months the Office will be heavily involved in implementing the new Membership system which it is anticipated will provide an improved service.

### Home

Activities under the Home Director are stable, but improvements are planned with the development of the League Management System.

The budget reflects the transfer of Grading Administration to Membership and the acquisition of Women's Chess

#### International

Provision in the budget has been made for the core activities for the International teams and for development. Additional costs of supports these teams are supported by funding from donations and sponsorship.

#### Junior

A key activity in Junior has been the development of the Academy which has gone well and will continue to be actively supported by the Federation. Also, overseas participation in major junior events has taken place. The organisation of these overseas events (accommodations, flights etc) will in future be handled by an external agency. This will reduce the administration burden of such events.

I have included an additional section on the finances of the Academy in the budget spreadsheets for members' information.

David Eustace

Finance Director