

Challenges for English Chess and the ECF

Background

Going into the 21st Century English chess has continued to exist and has made progress in some activities, but it is not making the gains for the long-term in particular areas that we would all wish to see.

If English chess is going to prosper in the coming decades we need to tackle a few core challenges.

Membership is a demographic time bomb with many players in the older age groups and many junior players but much fewer in the middle age groups.

The chess community is increasingly criticised for the paucity of female players at all levels and for the low level of support that the ECF provides to this group.

Volunteers for the back office functions are not exactly overwhelming us. The Office is continually having to adjust to assume more functions and is becoming over-stretched. Also, the remuneration levels for Office staff may not be comparable with market rates which will lead eventually to a decline in morale and effectiveness.

We have had good success in supporting our international teams with sponsorship, but securing suitable amounts of sponsorship is becoming increasingly volatile. For this year's Olympiad in October securing a modicum of financial support has been difficult and time-consuming. It may be time that we recognised that where sponsorship support is not forthcoming the ECF may have to give more support to those who are our flagship representatives.

Review

The Board has reviewed the challenges English chess and ECF faces, and concluded that we cannot continue to function adequately on the current hand-to-hand existence. English chess will continue to exist, but without a concerted effort to improve and grow it will just exist, and faced with some of the demographics, will slowly decline.

The Board has decided to change its priorities to one of greater, more focussed investment in creating a much better public image for chess and growing the chess participation rate. This is a plan for growth. It will be a leap of faith to an extent (although the numbers have been carefully costed), but we need to

generate a culture change amongst a wider public if we do not wish to see the game in England decline as the current chess paying population falls away. One needs only to look at the demographics of the Membership report.

We need to invest more, increase the popularity of the game, grow the base membership for the long term, make the outfit more professional and deal with some of the weaknesses that the general public perceive we have, such as the lack of women in chess.

Your Board has a number of directors who are up for meeting these challenges and we should now capitalise on that advantage while it lasts. They will, however, need support, and need more resources, to make things happen.

The approach that the Board has taken is to ask the ECF membership to contribute towards the ongoing operational running costs of the ECF, while approaching the trust funds (and in particular The Chess Trust and the PIF) for assistance with costs of a more developmental / strategic nature. The Board accepts of course that the distinction is not always entirely clear-cut.

Approach

Finances

The journey has already started. First, the Board recognises that it needs to simplify how the ECF/BCF organisation is structured. The current structure is anachronistic; it is confusing to members, their representatives and often to officials. It consists of a two headed structure, the BCF and the ECF, the components of which partially mirror each other, and have duplicate accounting requirements, duplicate audit and tax requirements.

The BCF should become dormant, retaining name and bank account only, for any future requirements, just in case we need to revive the organisation. The Permanent Invested Fund, including Chess Centre Limited, should be transferred to the Chess Trust to form the core of a long term development fund. The funds held within the Chess Trust will be used for the long term development of chess in England. A separate paper addresses the request to Council to approve the transfer of the funds. A typical development activity would be the Accelerator Programme which targets the development of young players into future titled and international players.

The ECF itself will continue to manage the day-to-day operations of the ECF's role in chess in England: the Membership Services, International, junior, Home and Women directorates. These are all the on-going functions of the Federation.

For the future, if approved, the structure will be two bodies, the ECF and the Chess Trust. The John Robinson Youth Chess Trust separately supports youth chess in accordance with the late John Robinson's wishes.

Support Required

The Board has identified several important activities that need further support. Each is dealt with below.

Grow the Membership Base

The current membership has been about 9,500 to 10,000 members since the current membership scheme was introduced in 2012 and that level has been fairly consistent. In the last year membership numbers have grown largely in response to changes to the Game Fee rules for Leagues and Clubs, but also from a growth in more players, particularly junior members. The Board's three year budget plan submitted last April has targeted a growth of 500 members per annum for the forthcoming three years. This will not necessarily happen automatically. The Board is also ambitious to further grow the membership further. Its approach is to invest in a Development Manager to promulgate the game more widely and to grow the base membership. This role will require some dedicated time and effort even if it is performed on a part time basis. The Board is proposing that this will be a paid role. The allowed cost is £15k pa, covering basic payment, bonus based on growth in membership numbers, and expenses.

In line with the principle that the ECF will fund on-going activities the bonus and expenses will be covered by the ECF via the increases in membership growth for the first year of membership over and above the current growth plans of 500 per annum over the next three years. Application will be made to the Chess Trust/Permanent Invested Fund to cover the basic payment as a development investment. The bonus payment and the expenses are estimated at £2,500 and £2,500 in Year 1 (2018/19) and £5,000 and £5,000 in subsequent years. These will only be paid if they are covered by the first year's membership fee of any new member that is encouraged to join, and therefore, as

they are self-funding, have not been included in these numbers. The Chess Trust / PIF will be requested to cover the basic fee of £5,000 pa as this is a development role.

The money will only be spent if the Board is satisfied that it has identified the right candidate for such a role.

Women in Chess

If you attend any chess event in England you will be fortunate to find 5% of the attendees are female unless it is a restricted Womens or Junior event. 5% is not a good advertisement for the chess playing world, particularly in this day and age. The Board believes we need to change the image of chess as an activity played by both men and women. A 50% split is unrealistic, but we should be aiming for a big improvement on 5%.

The Board has recently appointed a pro-active Director of Womens Chess and it believes we should provide support to improve our position in this area in which we are badly under-represented. Currently we dedicate £5k per annum directly to support Womens chess (though last year a further £3k was provided to support players in the British Chess Championship). There is other money, in relatively small amounts, spent on Womens chess as part of the activities of other Directors but this is still way short of the money spent on open/men's chess. We have a shortfall to catch up on. The Board believes a substantial investment should be made to improve participation of women in the game.

£15k in total for 2018/19 is envisaged in order to kick-start this work:

- £10k for support of Women in tournament chess (British Chess Championships and the English Womens Championships),
- £5k for social support of clubs and other organisations which have a programme for the encouragement of Women to participate in chess,

In line with the principle that the ECF will pay for on-going activities it is intended that it will pay for the first item (£10k) and application will be made to the Chess Trust/ Permanent Invested Fund for the second item (£5k). The 2018/19 budget already includes £5k; therefore the impact will be £5k for the ECF and £5k for the Chess Trust /PIF.

Back Office Support

There are two main pressures on the finances of the Office.

First, though Office members of staff have received regular annual pay awards there has not been a full review of market comparability for 5 years. The Board has commissioned a review of salaries which should be completed by the year end. It is believed that the salaries have fallen behind the market and an allowance of £6k p a needs to be set aside to cover the gap in salaries to maintain morale and effectiveness amongst our workforce.

Second, the Office is being over-stretched with additional requirements. There is increasing workload to cover the Junior and International events, particularly where overseas trips are concerned. The Board considers that it needs to cover these areas with additional resources and has allowed £6k pa to cover additional staffing. The ECF will cover this as an on-going activity.

Total cost to the ECF is £12 k per annum.

International Team Support

There are a number of key themes for the development of our international chess capabilities. A summary of the costs involved and how they might be funded is given below. Other areas may also require future attention.

	<u>Additional requirements</u>		
	<u>2018/19</u>	<u>2019/20</u>	<u>CT/PIF Funding pa</u>
Olympiad (European)	£ 7k	£ 9.5k	
Senior Chess	£ 3k	£ 3k	
Elite Development Training (<i>Current budget = £ 4k</i>)	£ 1k	£ 1k	£ 4k
WCC cycle support	£ 2k	£ 2k	
Norm Tournament support	£ 2.5k	£ 2.5	£ 2.5k
Analytical support	<u>£ 2k</u>	<u>£ 2k</u>	<u>£ 2k</u>
Total	£17.5k	£20k	£ 8.5k
Less FIDE delegate costs	(£ 1k)	(£ 1k)	
(Transferred to Administration)			

There will need to be increases in the main source of Federation income, Membership fees, which are currently at quite a low level compared to some other federations such as France.

If the approach is to increase Membership fees in a single year to support a £26k increase in on-going expenditure this will require one-off increases above those indicated to the April 2018 Finance Council as follows:

Single Year Increases

	<u>Current</u>	<u>Indicated**</u>	<u>Required</u>	<u>Est. Nos*</u>	<u>Increase</u>
	<u>2018/19</u>	<u>2019/20</u>	<u>2019/20</u>		<u>2019/20</u>
		<u>Budget</u>	<u>New budget</u>		
Platinum***	70.00	75.00	80.00	100	5.00
Gold	34.00	36.00	41.00	2,000	5.00
Silver	23.50	25.00	30.00	2,150	5.00
Bronze	16.00	17.00	20.00	4,000	4.00
Junior	5.00	5.00	6.00	1,800	1.00
Total Nos				10,050	
Net additional Income	£28.1k				

Note: * Membership director's assumed numbers for planning.

No growth in numbers has been included.

** Indicated Membership fees as presented to the April 2018 Finance Council.

*** Platinum has been maintained at approximately double the rate for Gold.

The additional increases (Required less Indicated) will raise approximately £28.1k after VAT and processing deductions. This will represent a major one-off increase in fees to meet the improvements requested and to maintain a reasonable financial position.

To avoid a major Membership increase in a single year the Board considers that increases should be phased in over a two year period with increases in the first year being at a lower rate per annum, moving to the full increased in rates in the

second year to build up to the £28.1k per annum required. A two year example for increases in Membership fees is given below. Obviously, if Year 1 additional income is lower at £15.8k this will impact the Reserves position. The Reserves will have to be re-built over time. Our projections indicate that the Reserves position will stabilise in 2020/21 and the Board will need to plan for the Reserves to be re-built. It is anticipated that recovery, thereafter, will be driven in no small part by increases in membership numbers as well as the proposed Membership Fee increases.

Two Year Phased Approach

	<u>Current</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Est. Nos*</u>
	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	
	<u>Budget</u>	<u>New</u>	<u>New</u>	
Platinum	70.00	75.00	80.00	100
Gold	34.00	38.00	41.00	2,000
Silver	23.50	27.00	30.00	2,150
Bronze	16.00	18.00	20.00	4,000
Junior	5.00	6.00	6.00	1,800
Net additional Income		£15.8k	£28.1k	

Note: * Membership director's assumed numbers for planning.

Increases from rate rises on the increase in numbers have not been included in the calculation in order to maintain a level of prudence.

This rate of increase will give in Year 2019/20 an extra £15.8k of income after VAT and processing deductions. Year 2 will produce £28.1k as in the Single Year example. The impact on the Reserves will be a further downgrade of £12.4k.

The accompanying spreadsheets have revised the budget as presented in April to show the impact of the full £26k spend in 2018/19 onwards together with the phased implementation of the Membership Fee increases over two years. The current (April) budget plan is already to make a loss of £25k in 2018/19, a loss of £2k in 2019/20 and £4k loss in 2020/21. This includes the planned increase

in Membership fees for 2019/20 and an increase of 500 per annum over the next three years – total of 1,500.

The attached spreadsheet is an adaptation of the budget approved by Finance Council in April 2018. Additional lines have been added to reflect the total increases in expenditure requested and Income from Membership Fee increases, “Unbudgeted Expenditure”. The impact on the surplus for year and on Reserves has also been shown.

Recommendation

In order for the finances of the Federation to be managed as planned the planned income to be received needs to be aligned with the planned expenditure. To achieve this Board is recommending that Council approves two years of Membership fees.

The following is recommended for approval:

1. The ECF budget is revised to include the items from this paper. An additional £26.5k of expenditure added to the current expenditure from 2018/19.
2. Changes to membership fees is as follows:

Fees are set at:	<u>2019/20</u>	<u>2020/21</u>
Platinum	75	80
Gold	39	41
Silver	27	30
Bronze	18	20
Junior	6	6

3. A request is made to the Chess Trust/PIF to fund the revised budget by £18.5k per annum.