

AGM October 2020

Finance Report

Summary

At the Finance Council meeting in July I think I covered all the relevant issues from a financial point of view. As everyone is aware the past six months have brought severe challenges to our chess world. This report provides an update on the current financial position. Please find attached the management accounts which have been updated since those you saw in July for 2018/19, last year 2019/20 and for the first three weeks of this year, 2020/21.

Financial performance for last year is in line with the report given in July. The result for the year will be much better than we had budgeted for. Further details are given below.

For the current year membership renewals are greater than previously anticipated but are still well below achieving even the reduced planned budget for this year. The Director of Membership has provided the latest analysis of the position. Going forward it appears that the Federation can expect a substantial shortfall in its income as agreed in the budget at the July Council meeting. If we are to avoid a really difficult year all previous members of the Federation are encouraged to renew their membership in order to ensure that the ECF continues in its current form into future years after we have recovered from the current pandemic.

Cashflow is adequate to cover basic operating expenses, but without further income the outcome will be a much reduced financial position at the end of the year. Last resort options will include requesting funding from the Permanent Invested Fund or other sources.

Last Year 2019/20

The latest view of the Federation's financial performance for 2019/20 is still much the same as provided in July. We should make a small surplus for the year's activities of approximately £9k against a planned loss of £12.5k. In the management accounts the important column for last year is the "Forecast Column for 2019/20". Key reasons for achieving this favourable position were:

- Membership income for the year is much as expected with a few late Bronze renewals of about £900;
- Game fee income has been prudently included as £12k as it is not expected that all organisations will be able to pay;
- Income from Supporters seems to be lower than previously predicted, but increasing;
- Expenditure generally has been restricted to mainly supporting online events and administration costs;
- The largest expense for the Online Olympiad was covered by sponsorship/donations successfully raised by the International Director;
- If the outstanding Game Fee income is collected there should be a surplus for the year of about £9k which is better than previously calculated;
- Note, if we had not received the Government grants from the Job Retention Scheme and from the local authority of £21k there would be a deficit of about £12k.

Therefore, at the end of the last financial year we find ourselves in a better position than we planned. Reserves will be about £45k as opposed to the planned £36k.

That's the good news.

Current Year 2020/21

This year has only just begun, but the key metrics which we need to watch are membership income and game fee.

As at 23rd September membership income received is £94.2k. This compares with £129.9k this time last year. So, there has been a distinct fall in members joining at this stage of the year. The membership numbers are given in the attachment.

At the July Finance Council, the proposed budget had the following:

- Membership income	£161.2k
- Game fee from clubs, leagues, and Congress	£ 9.6k
Total	£170.8k
Collected so far	£ 94.2k

I cannot see that we will collect much of the game fee this year.

To date we have collected about 55% of the income we budgeted. There is a further £76.6k to collect over the next 8 months to the end of June. That is £9.5k per month. Last year in the same period we received £94k (membership £74k; game fee £20k) in the same period of 8 months. That was £11.75k per month. I am certain we will not receive that amount of income over the next 8 months. Most of the keen members will have joined, some because it is what they do each year and some to support the ECF. However, I believe the rate of renewals will be much lower over the next 8 months. The recent Government rules on socialising etc have not helped. The receipts of membership income over the first three weeks of September illustrate the point:

	1st week	2 nd week	3 rd week
2019	£22,463	£10,590	£ 8,218
2020	£ 8,217	£ 8,133	£ 1,794

This is all uncertain and unknowable territory. The outcome appears to indicate that the target income of £170.8k is unlikely to be met. At this point in time we do not know the size of the shortfall, but the Board should plan for a reduction in the income to be received.

Outlook

The Federation faces a challenging time with the prospects of shutdown of over the board chess limiting activities very much to online and training activities. There will be a substantial fall in income unless the current crisis is resolved soon. At the time of writing the cash position is adequate to continue the basic level of activities into 2021:

£

Cash at bank	176.0k
Ring-fenced funds	(36.7k)
O/s payments	(13.8k)
Net Cash	125.5k

The administration operations cost about £9.5k per month plus the membership system, online transaction charges, grading administration, FIDE membership and an allowance to implement the monthly grading system at £2.25k per month. The total is £11.8k per month at the planned level of operations.

In these circumstances the Board could concentrate its resources on maintaining the basic Office functions (salaries, rent, insurance, marketing, information technology, telephony, marketing, newsletter, accounting etc) plus operating the membership and grading systems and retaining membership of FIDE. Just accounting for these items and on the basis that we have no further income, and we only spend on these items cash will last for about 10 or 11 months; this will be about July/August 2021. From July 2021 we will begin the new membership year for 2021/22.

During 2020/21, the current year, Directors will still be able to spend from funds designated for specific purposes such as ring-fenced funds in the ECF and donations from, say, the Chess Trust, or the JRYCT. We will receive further funding from the Chess Trust in September 2020 for those designated purposes. This is all included in the budget papers.

The result for 2020/21 will be a substantial loss for the year and reserves will fall close to zero. The Board may consider adjusting its budget from that presented in July and implement further cost cutting measures as considered appropriate to the circumstances. The new Government “job support scheme” is much less generous than the previous scheme, but it is an option to consider if deemed appropriate. If more income is received the position will, of course, change over the coming months. Options available are:

- Encourage more past members to renew now;
- Look at the costs of administering the ECF beyond the actions indicated in the report to Finance Council in July;
- Look further funding from the Permanent Investment Fund to cover any shortfall;
- Seek further funding from other sources.

David Eustace

Finance Director

25th September 2020