

## Report of Finance Committee Chairman to ECF Finance Council.

April 2023

This is not an easy report to write. The deadline for its submission is 29<sup>th</sup> March, which is at the time of writing today, and I do not believe that I have yet seen the final Budget which will be presented to Council alongside this report. I am therefore giving my views, and those expressed by other members of my committee, based on the latest version provided to us. I am in regular contact with the Finance Director and with my colleagues, so I envisage that there may be a supplementary report in the light of any new numbers.

First of all, it is the task of Finance Committee to satisfy itself that the ECF is set on a responsible financial course. Until recently, this has entailed a minimum projected level of reserves of £100k, to ensure survival in the event of some unforeseen disaster – for instance, as we now realise, a series of Government lockdowns. This target has been reduced to £50k, on the basis that in the event of such a misfortune the Chess Trust would stand behind us and has a ring fenced fund for this purpose. FC is quite properly not privy to the finances of the Chess Trust, so we have to rely on their own assurance that this fund is safely in place, but I see no reason not to do so. On that basis, the Board's current plans do not appear likely to lead the ECF into financial difficulties.

It has been a concern of mine for several years that a meeting held in late April cannot be shown audited accounts for the year ending on the previous 31<sup>st</sup> August, meaning that the latest available audited numbers relate to a period which ended 20 months ago. I have now

had the benefit of a very useful conversation with the audit partner, who suggested that there is no reason why eight months should not be sufficient for completion of the audit, and I am hopeful that last year's accounts will be signed off ahead of this meeting.

Following this month's Board meeting, Finance Committee met to discuss the proposed Budget, We were generally dissatisfied, above all because there were no realistic forecasts for the current year. There were no figures at all beyond 23/24. I passed on these concerns, and others, to the FD, who assured me that work was in progress to improve the information. We have subsequently been sent a version which we consider to be much improved in many respects. I have discussed this further with the FD ( by phone ) and with the other FC members ( by email ). The FD has been most helpful, and receptive to our suggestions, but I do feel that the lives of everyone involved would have been much easier if this had been done a month earlier.

We noticed that many of the numbers on the summary tab were inconsistent with those for the individual directorates. This was the result of corrections made to the allocations of various items and, after a review, the discrepancies are not significant in themselves. They did however cause some confusion which I hope will not be repeated.

Some comments on the Budget, as currently proposed. I am expecting the FD's report to go into greater detail regarding variations in outcome from the Budget approved last year.

1. Income from membership fees is forecast to progress from 211k in 21/22 to 222k in 22/23 to 265k in 23/24. The 20% increase in 23/24, with no planned increase in rates, looks high, but perhaps 22/23 should be marked higher. Rolling membership might be making forecasting difficult. This is being investigated, and will I presume be explained in the Membership Director's report.

2. International Senior teams. These were unbudgeted expenses, but I believe they were covered by matching donations.

3. Olympiad. The total costs were over budget by a considerable amount, even allowing for the fact that the move to India caused a significant increase in travelling costs.

4. British Championships. The prevailing view is that the event is likely to run over budget once again. There may well be a case for a modest central subsidy, but it needs to be shown realistically in the Budget.

5. Junior. Following changes in the system of paying for travel, the forecast and future budgets do not reflect the manner in which income and costs arise. However, Junior remains essentially self-financing, and this should not be viewed as a problem.

Reserves are projected to fall to about £50k by 2025, at which point the decline must stop. This means that, while operating losses are acceptable for two years, the federation needs to be careful not to take on costs which are, even implicitly, recurring. This certainly

applies to the substantially increased outgo envisaged from 2023/24 under “Admin, Commercial, Marketing & Publicity”, which will require explanation at the meeting.

I have once again attended most ECF Board meetings, which have provided useful insight into the general thinking about the federation’s approach to planning its future. However, at the last meeting, on March 2<sup>nd</sup>, I was surprised to hear the CEO inform the room that he considered Finance Committee’s work to be unsatisfactory and that he intended to schedule a meeting to discuss how it could be improved. I have no idea of how he had reached this conclusion, since he had never discussed the matter with me. I hope I shall not have to explain to the Board again that the Chairs of Standing Committees report to Council, not to the CEO.

On a more constructive note, I would of course be happy to have a discussion regarding how the whole Budget process might be improved. It is not clear to me when this year’s final papers will be published, since they will presumably have to be scrutinised first by the Board. In my opinion, Council members deserve three weeks to review them and consult with their constituents, which seems very unlikely to happen this time. The process seems to have been allowed to drift and must be tightened up for the future, with a clear and enforced timetable.

Meanwhile, Finance Committee will continue to do its job, which is to provide Council with an independent view of the Federation’s finances.

Nick Faulks

29<sup>th</sup> March 2023