

**Guidance Note Concerning Resolution [x11] proposed to  
The ECF Finance Council on 22<sup>nd</sup> April 2023**

## **1. Resolution**

- 1.1 Resolution [x11] is proposed as an ordinary resolution (requiring a simple majority to be passed) to adopt a revised Bye Law No 4 (The Financial Bye Laws).
- 1.2 The proposed changes are shown in Appendix 1 to this guidance note while the proposed new Bye Law incorporating the changes in shown in Appendix 2. The purpose of this note is to summarise the intended purpose of the amendments.

## **2. Paragraph 17: Scope of Finance Committee Responsibilities**

- 2.1 The main substantive change proposed concerns Paragraph 17. These are intended to restrict the scope of review obligations of the Finance Committee so that they do not extend to considering the financial plans of the Chess Trust or any other trusts associated with the ECF and do not require the Finance Committee to review the trusts' resources, systems or processes or the accounts of the trusts.
- 2.2 This change reflects the proper operation of these trusts and in particular the Chess Trust. Although aligned with the ECF and with the ECF having the power to appoint a number of trustees, the Chess Trust is and has to be independent from the ECF. The ECF has no legal right or power to monitor the performance of the Trust and to suggest otherwise would risk undermining its legal, tax and charitable status.
- 2.3 The consequence is that Paragraph 17 as currently drafted is seeking to impose a legal obligation on the Finance Committee which it is legally unable to discharge. That is a contradiction which needs to be removed.

## **3. Other Changes**

- 3.1 There are a number of drafting changes which are designed to make the Bye Law more accessible and accurate without changing the substance. These are shown in Appendix 1 but are not otherwise commented on in this note.
- 3.2 Further minor but substantive changes are:
  - (a) Paragraph 5 this places the expectation on managing an overall Budget. Budget matters are discussed within the Board but the deleted words do not provide additional protection.
  - (b) Financial Controller references to a Financial Controller are deleted as the ECF does not have one.
  - (c) Paragraph 10 the Board has the power stated as a matter of law. The paragraph as it stands has no additional effect.

- (d) Paragraph 11 (i) Directors will have responsibility for contracts; and (ii) the ECF does not have a legal adviser to review all contracts.
- (e) Paragraph 11, Note this has no effect as originally drafted and is therefore being removed. It is no more than a statement of the obvious.
- (f) Paragraph 14(d) see earlier comments regarding the associated trusts.
- (g) Paragraph 17 see earlier comments.

#### 4. Review

The proposed changes have been reviewed by the ECF Board with individual reviews/preparation by all of Stephen Woodhouse (Chair of the Board), Mike Truran (CEO), Adam Ashton (Finance Director), Nick Faulks (Chair of the Finance Committee) and Robert Stern (Chair of Governance).

**Stephen V Woodhouse**  
**Chair of the ECF Board**  
[\[Add date\]29th March 2023](#)

## Appendix 1

### English Chess Federation

#### Bye Law No.4 the Financial Bye Laws

1. Made by the Council of the English Chess Federation (ECF) on ~~16th April 2016~~ 22<sup>nd</sup> April 2022 pursuant to Article 85 of the Articles of Association (the "Articles").

~~Whereas Article 85 gives power to the Council to make Bye Laws including in respect of The Financial Bye Laws.~~

#### ~~F1. Definitions~~

2. ~~In these Bye Laws the e~~Expressions defined in the Articles shall have the same meanings ~~therein ascribed to them and officers shall mean officers appointed as Directors~~in these Bye Laws.

#### ~~F2. Budgeted Expenditure~~

3. The Board ~~will~~shall submit its budget proposals to Council for approval at its annual Finance Council meeting.

4. The budget will include estimates of income, budgeted expenditure for each Directorate, anticipated surplus on operations for the period, capital expenditure and any planned movements in reserves.

5. The Board is expected to manage the operation of the Federation within the overall agreed expenditure budget as allocated to each Directorate. ~~The Board may agree the re-allocation of budgets in circumstances where previously agreed plans have been altered.~~

6. Directors are required to ensure that a record of their Directorate's expenditure and income is maintained in conjunction with the Finance Director ~~and the Financial Controller.~~

7. The Finance Director ~~and Financial Controller~~ should provide the Board and individual Directors with management accounts of the status of their budgets at intervals throughout the period concerned.

#### ~~F3. Donations and Sponsorship Monies Received~~

8. Any sponsorship or donation received will come under the responsibility of the Board.

9. For donations the Board will take account of the wishes of the donor. Sponsorship monies must only be spent for the purposes agreed with the sponsor.

10. ~~The Board may choose to delegate responsibility for the management of donations and sponsorship monies as it deems appropriate. Donations and sponsorship will usually be part of the relevant Director's responsibility.~~

11. Directors ~~or Officers~~ seeking to organise, or support, a third party sponsored event **MUST** ~~perform the following BEFORE, before~~ any contract is signed:

(a) Obtain written confirmation from the sponsor of the terms of the sponsorship, the sum to be made available and the timing and conditions of the payments;

~~(b) Ensure that all contracts are reviewed and approved by the Federation's Legal Advisor;~~

~~(e);(b)~~ Provide contractual and other relevant details to the Director of Finance ~~and the Financial Controller~~ for permanent retention;

~~(d);(c)~~ Obtain approval to proceed from the Chief Executive and the Finance Director.

~~Note: Funding by a sponsor must only be spent for the purposes agreed with the sponsor. An analysis of how the sponsorship monies were spent must be provided to the sponsor and the Director of Finance. The Board will report in its annual report to Council how the sponsorship funds were spent.~~

#### **~~F4.~~ Unbudgeted Expenditure**

12. Unbudgeted expenditure may exceptionally occur in respect of additional activities agreed by the Board or an increase in outlay on planned activities. ~~Both of these circumstances should be treated as exceptional circumstances.~~

13. A Director must report any anticipated over expenditure or loss of income to the Finance Director as soon as he/she is aware of the circumstance together with an explanation for the variance and any proposed remedial action.

14. The Board advised by the Finance Director will decide the solution to ensuring that the overall Board expenditure and income budgets are met. The Board may re-allocate budgets between Directorates and/or decide to seek authorisation for unbudgeted expenditure, including capital expenditure, over and above that agreed by Council, as follows:

(a) Not exceeding £3,000 requires the approval of the Chief Executive and the Director of Finance or a nominated Non-Executive Director in the absence of either of the first two Officers. (Nomination to be agreed at the first Board meeting).

(b) Exceeding £3,000 but not exceeding £5,000 requires the approval of the Chief Executive, the Director of Finance or a nominated Non-Executive Director in the absence of either of the first two Officers (Nomination to be agreed at the first Board meeting) and the Board.

(c) Exceeding £5,000 but not exceeding £15,000 or 20% of the reserves, whichever is the lesser (excluding the Permanent Invested Fund, The Chess Trust or any other separated fund or trust) as stated in the last adopted accounted accounts, requires the approval of the Chief Executive, the Director of Finance and the nominated Non-Executive Director (Nomination to be agreed at the first Board meeting).and the Board.

(d) Exceeding £15,000 or 20% of the reserves, whichever is the lesser, ~~(excluding the Permanent Invested Fund, The Chess Trust or any other separated fund or trust)~~ as stated

in the last adopted accounts requires the approval of Council in General meeting.

#### **F5. Planned Reallocation of Budgets**

15. Normally, actual income and expenditure will relate to the items specifically identified in the budget. ~~Directors need to be able to exercise some flexibility without seeking prior approval such as where one international tournament might be cancelled and another one is substituted. If an amount is to be reallocated.~~ The Director concerned should notify the Director of Finance in advance of any proposed reallocation between account codes where the items exceed £2,000 or 20% of the Director's budget, whichever is the lesser, ~~in order that financial expenditure against budget may be tracked.~~

#### **F6. ECF Chess Events**

16. The Director under whose budget an event falls shall be responsible for maintaining adequate accounts in respect of the event and reporting the financial results to the ~~Financial Controller~~ Finance Director within 2 months of the end of the event. The analysis provided must be in at least as much detail as the budget and variances of expenditure exceeding 10% must be explained.

#### **F7. Finance Committee**

17. The Finance Committee is elected by Council to maintain an overview of the Board's management of the Federation's finances. The Committee should concentrate its resources on the following in order to provide Council with an independent view of:

- The soundness of the Board's overall long term financial plans ~~including those of the associated trusts and charitable funds~~
- The appropriateness of the Board's proposed budget to support the ~~Federation's ECF's~~ strategy agreed by Council.
- The appropriateness of the resources, systems and processes used to manage the ~~Federation's ECF's and any other associated trusts' and charitable funds' finances~~
- The annual audited accounts and reports of the ~~Federation ECF, associated trusts' and charitable funds' accounts~~

#### **F8. Expenses**

18. All expenses are to be reimbursed to Chairman of Council, Directors, and Officers, members of Standing Committees, individual members' representatives and others. Claims are to be made within two months of the date on which the expense was incurred.

19. The Board will authorise the schedule of expenses and rates in the Financial Regulations that may be claimed for the following types of expenses:

- Travel (standard class and car mileage)

- Telecommunications/telephone
- Stationery, postage, office expenses
- Accommodation (where agreed in advance with the Finance Director)
- Other (specifically agreed in advance by the Finance Director)

20. The schedule of expenses and rates will be maintained at the Office.

#### **~~F9.~~ Financial Transactions**

21. All financial transactions must be dealt with through an approved ECF bank account and must be effected on a gross (not net) basis ~~i.e. There should be with~~ no netting of linked, but discrete transactions before passing to the Finance Team.

#### **~~F10.~~ Bid Regulations**

22. All work put out to tender must be transacted in accordance with the Bids Regulations made by the Board.

## Appendix 2

### English Chess Federation

#### Bye Law No.4 the Financial Bye Laws

1. Made by the Council of the English Chess Federation (ECF) on 22<sup>nd</sup> April 2023 pursuant to Article 85 of the Articles of Association (the "Articles").

#### Definitions

2. Expressions defined in the Articles shall have the same meanings in these Bye Laws.

#### Budgeted Expenditure

3. The Board shall submit its budget proposals to Council for approval at its annual Finance Council meeting.
4. The budget will include estimates of income, budgeted expenditure for each Directorate, anticipated surplus on operations for the period, capital expenditure and any planned movements in reserves.
5. The Board is expected to manage the operation of the Federation within the overall agreed expenditure budget as allocated to each Directorate.
6. Directors are required to ensure that a record of their Directorate's expenditure and income is maintained in conjunction with the Finance Director.
7. The Finance Director should provide the Board and individual Directors with management accounts of the status of their budgets at intervals throughout the period concerned.

#### Donations and Sponsorship Monies

8. Any sponsorship or donation received will come under the responsibility of the Board.
9. For donations the Board will take account of the wishes of the donor. Sponsorship monies must only be spent for the purposes agreed with the sponsor.
10. Directors seeking to organise, or support, a third party sponsored event must , before any contract is signed.
  - (a) Obtain written confirmation from the sponsor of the terms of the sponsorship, the sum to be made available and the timing and conditions of the payments;
  - (b) Provide contractual and other relevant details to the Director of Finance for permanent retention;
  - (c) Obtain approval to proceed from the Chief Executive and the Finance Director.

## **Unbudgeted Expenditure**

11. Unbudgeted expenditure may exceptionally occur in respect of additional activities agreed by the Board or an increase in outlay on planned activities.
12. A Director must report any anticipated over expenditure or loss of income to the Finance Director as soon as he/she is aware of the circumstance together with an explanation for the variance and any proposed remedial action.
13. The Board advised by the Finance Director will decide the solution to ensuring that the overall Board expenditure and income budgets are met. The Board may re-allocate budgets between Directorates and/or decide to seek authorisation for unbudgeted expenditure, including capital expenditure, over and above that agreed by Council, as follows:
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  - (g) Exceeding £5,000 but not exceeding £15,000 or 20% of the reserves, whichever is the lesser (excluding the Permanent Invested Fund, The Chess Trust or any other separated fund or trust) as stated in the last adopted accounted accounts, requires the approval of the Chief Executive, the Director of Finance and the nominated Non-Executive Director (Nomination to be agreed at the first Board meeting).and the Board.
  - (h) Exceeding £15,000 or 20% of the reserves, whichever is the lesser, as stated in the last adopted accounts requires the approval of Council in General meeting.

## **Planned Reallocation of Budgets**

14. Normally, actual income and expenditure will relate to the items specifically identified in the budget. If an amount is to be reallocated, the Director concerned should notify the Director of Finance in advance of any proposed reallocation between account codes where the items exceed £2,000 or 20% of the Director's budget, whichever is the lesser.

## **ECF Chess Events**

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the following in order to provide Council with an independent view of:

- The soundness of the Board's overall long term financial plans
- The appropriateness of the Board's proposed budget to support the ECF's strategy agreed by Council.
- The appropriateness of the resources, systems and processes used to manage the ECF's finances
- The annual audited accounts and reports of the ECF

### **Expenses**

17. All expenses are to be reimbursed to Chairman of Council, Directors, and Officers, members of Standing Committees, individual members' representatives and others. Claims are to be made within two months of the date on which the expense was incurred.

18. The Board will authorise the schedule of expenses and rates in the Financial Regulations that may be claimed for the following types of expenses:

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