

Report of Chairman of Finance Committee to ECF Council

Finance Council meeting April 2025

The centrepiece of the meeting is of course the Finance Director's report, including the budget for 2025/6 and forecasts for the following years, which I see has now appeared on the website. I have been forced to make the usual choice between producing my own report on time, without sight of the FD's submission, and risking criticism for coming in late - I have once again chosen the latter course. Even so there will be little opportunity to discuss these comments with my colleagues, so I may augment them verbally at the meeting.

Over the past six months, the work of my Committee has followed a familiar pattern. We have in general had little new information and therefore little work to do. This all changed two weeks ago, when I received the final draft of the FD's report to Finance Council, due to be confirmed at a Board meeting on the following Tuesday, four days later. A meeting was convened on the Sunday, with additional emails and phone calls, and I attended the Board meeting at which a lengthy discussion took place. I was pleased to see that the final document does incorporate a number of the adjustments suggested there.

The outcome is a comprehensive and well explained document, for which the Finance Director should be commended. Nonetheless, I believe it is now generally accepted that, as I have been writing repetitively in these reports, last minute flurries of activity are not the best way to run a business. Furthermore the FD, who will not be continuing in his post after the 2025 AGM, has already concluded that, owing to weight of work and other responsibilities, he will be unable to carry out the full duties of his post after the end of this month. I understand that the Board has therefore decided on the following course of action.

1. The duties of the FD will be mitigated by an appointment to the new position of Financial Controller. This person will work on the provision of regular financial information to the Board and will report to the FD.
2. This position will be remunerated at a rate of £15,000 pa, starting on 1st May.

3. The first Financial Controller will be Alex Longson, who will remain on the Board until a new FD is elected at the 2025 AGM.

Our comments on the above are

1. It is regrettable that it now seems impossible to find a candidate for the position of Finance Director who is in a position to carry out all the traditional responsibilities of that role. However, if that is the case, we must accept that some assistance needs to be provided.
2. Given that the ECF already employs a bookkeeper who is skilled in the use of the Xero accounting system, it does not seem impossible that a volunteer might have been found in the chess world who could have filled this in-between role. A post which provides close involvement with the ECF's finances while carrying none of the substantial responsibilities that come with the title of Finance Director might seem to be an attractive one.
3. We do not consider it proper for the two roles of FC and FD to be held by the same person.

The duties of the Financial Controller have to my knowledge not been specified, as they certainly should have been, and the Board has not considered any solution to their current predicament other than the above. While it is accepted that they suddenly found themselves in an unforeseen position, with the real possibility of receiving no current financial information at all, my Committee still believes that there may have been better solutions which should at least have been considered.

We hope that the incoming FD will investigate other solutions and will not be deterred by the fact that the new paid position has been cemented into the forecast budgets. If an FC is in place, the Board will presumably insist on monthly financial reports.

New Financial Regulations

Council will be invited to approve a revised set of Financial Regulations.

They retain in Clause 14 a reference to the role of the Finance Committee. It is not clear to me why this needs to be there, since we have our own Standing Orders, but the wording is improved and unobjectionable.

Council should take note of Clause 13 and in particular the final item, which defines the level of any anticipated adverse departure from the Budget must be put to Council for its approval. It is noted that this will now relate to the overall budget, with the Board having discretion to make transfers between directorates – this seems reasonable as boundaries can be somewhat fluid.

The limit in terms of absolute amount is increased from £15,000 to £25,000. This represents a generous allowance for inflation since the previous regulations were adopted.

The maximum percentage by which reserves may be reduced without recourse to Council is increased from 20% to 50%. This does look controversial, although there is an argument that it is justified by changed circumstances.

On balance, my Committee would have preferred this percentage to be lower. However, my overriding view is that the limit is unlikely to bite in the near future and I would have preferred this change to be left for consideration by the incoming CEO and FD. I do not feel strongly enough to recommend that Council should oppose the Board's wishes.

Current Financial Condition of ECF

While of course important, this is actually the simplest part of the report. The 2023/4 accounts have passed the audit test in good time and with no complications whatsoever. In conjunction with the projected outcome for 2024/5, where we see no major risks, the federation is financially in good shape. Following the very welcome injection of DCMS funding over the past two years, it would be disappointing if this were not the case.

Risks to Budget

The following can be identified.

Membership numbers. Forecasts remain muddled by the effects of rolling membership. My Committee has offered to make an analysis of this, which we feel well placed to do, but no data has been provided and I expect it does not exist. This is not a criticism of anyone, since the task would currently fall under the huge remit of the Home directorate and is unlikely to be a top priority. I look forward to working with the new Director of Operations, who should be better placed to focus on such matters.

National teams. It is a worthy objective of the Board to field our strongest possible teams, but it is not obvious that the budget for international chess will

suffice for this to be achieved. We hope that the DCMS funds, now lapsed, have not raised expectations too high.

Technology costs. It is accepted that some of the ECF's systems are in need of updating. I have little specific knowledge of this but hope to learn more in the coming months. From my own experience, such costs can be difficult to forecast and contain.

Nick Faulks

7th April 2025