

DRAFT – SUBJECT TO CHANGE AND NOT APPROVED BY THE BOARD

Minutes of the Meeting of the British Chess Federation Board
on
Saturday 12th April 2014
at
The Euston Square Hotel, North Gower Street, London

The Chairman opened the meeting at 11:30.

Present:

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| Phil Ehr | Chief Executive | Chair |
| Alex Holowczak | Director of Home Chess | |
| David Eustace | Director of Finance | |
| David Thomas | Director of Membership | |
| David Openshaw | Director of International Chess | |

By teleconferencing

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| Lawrence Cooper | Director of Junior Chess and Education |
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In Attendance

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| Nigel Short | FIDE Delegate |
| Chris Majer | Chairman, Governance Committee |
| John Philpott | Company Secretary |
| Mike Gunn | Member, Governance Committee & Past Chairman of ECF |
| Julie Denning | Minutes Secretary |

[Minutes Sec's note: although not specifically repeated here, the Chairman's statement made at the start of the 83rd ECF Board meeting regarding audio recording for the purpose of producing the Minutes is equally applicable to this meeting]

1. **Accounts.** In introducing this item, David Eustace paid tribute to John Philpott for the amount of work he had carried out in order to get the accounts up to date. In particular, there was no proper ledger left in place for the BCF when the ECF was formed, and John had had to reconstruct the accounts from prime records.

Council were being asked to approve 3 sets of BCF accounts:

- Accounts for the year ended 30 April 2011
- Accounts for the year ended 30 April 2012
- Accounts for the sixteen months ended 31 August 2013

These accounts had been submitted to the auditors who had some minor points that would not have any significant effects. John Philpott elaborated that these points (which had only been received the previous afternoon) were:

- The auditors wished to make some changes to the wording of their report within the accounts, which was clearly their privilege so to do
- One or two minor points on the figures which the auditors did not consider essential to amend, but John Philpott might do so anyway
- A presentational issue regarding how realised gains or losses in the PIF were shown

David Thomas had a question on the summary paper [Document BCF 18.5]. "Could Note 2 be explained in simple English." He accepted a proposal from David Eustace to deal with this offline.

In addition to these BCF accounts, David Eustace stated that Council would be asked to note:

- Chess Centre Limited accounts for the year ended 30 April 2013. These were now complete and had been filed with Companies House.
- John Robinson Youth Chess Trust accounts for the year ended 31 August 2013.

Proposal: that the Board approves the BCF accounts for the 3 years 2010 / 11, 2011 / 12 and 2012 / 13 and notes the accounts for Chess Centre Limited for 2012 / 13 and the John Robinson Youth Chess Trust for 2012 / 13, and that they be presented to Council accordingly.

Agreed nem con

2. **Chess Trust.** David Eustace introduced this item. The decision for the BCF was on transferring money from the Permanent Invested Fund (PIF) to the Chess Trust if the ECF Council approved the setting up of that body. He explained that a number of steps were involved:

- Firstly, ECF Council had to approve the setting up of the Chess Trust as a shell.
- The Trust would then need to be registered with the Charity Commission. This should not be a problem as Chris Mattos had already submitted the aims of the Trust to the Charity Commission and they had been accepted in general. Also, the standard Charity Commission template for a Charitable Incorporated Organisation (CIO) for setting up the Trust had been used with just minor changes to suit the ECF's needs.
- HMRC would be approached to ensure that the envisaged tax benefits can be agreed.

Once all this had been achieved, it would be for the BCF to decide to move money from the PIF across to the Trust. The proposal was to transfer all but £1,000 of the PIF to the Trust. The reason for keeping the PIF open was in case anyone wanted to leave money to it, or the ECF wanted to transfer money there, as the new charity could not support professional chess. This had been agreed with the PIF Trustees and Ray Edwards was expected to attend the Council meeting to represent them. It was also proposed that the PIF Trustees would "go with the money" to the Trust. Finally, it was being proposed to extend the life of the PIF for a further 21 years, which had been the normal period of extension.

The ECF would initially appoint 5 trustees; 2 ex-officio and, subject to Council agreement, the 3 PIF trustees who were moving across. Once established, the trustees could appoint up to 7 additional trustees. It was a requirement of the Charity Commission that the Trust was independent.

One objection that David Eustace envisaged might emerge at Council was that the current plan deviated from the original objective of setting up the ECF as charity. The key issue was how to support professional teams and no one had come up with a satisfactory answer. He had been in contact with his opposite number in the English Bridge Union who had spent nearly 5 years on the same issue and had given up as they couldn't find a satisfactory way of supporting their professional teams. Nothing that was being proposed now would prevent the ECF being set up as a charity in the future if someone came up with a solution to the professional teams issue.

David Eustace also envisaged arguments at Council over the proposal to transfer the PIF money. The Board discussed the merit of this at length. David Thomas and Chris Majer, in particular, expressed concerns that it might be inappropriate, or at least premature, to transfer virtually the entire PIF at this stage. While expressing arguments in support of the proposal to transfer the bulk of the PIF promptly the Trust was established, David Eustace was not strongly opposed to allowing more time for this to be considered by Council. Points raised during the discussion were:

- The principal advantage of transferring the bulk of the PIF to the Trust is potential tax savings. These are not enormous, but there are potential savings if capital gains are realised, on corporation tax and being able to claim gift aid on donations. It could also be tax efficient for legacies left to the Trust in people's wills.
- The principal disadvantage of transferring unrestricted funds to the Trust is that they could then only be used for charitable purposes. The PIF could be used to support non-charitable purposes. It was believed that the Trust would still be able to support the British Championships, but support for professional teams would not be possible.
- The combination of Trust funds, the PIF and ECF reserves would provide flexibility in the placing and use of funds.
- The ECF tended to regard the PIF as a last ditch rainy day fund. Trustees of the Trust might be less inclined to bail out the ECF if it got into financial difficulties, and would not be able to fund any professional activities. While the primary purpose of the Trust would be to fund ECF activities, the trustees would have absolute discretion on what was funded, within their charitable aims.
- It was important that legacy organisations were not closed. This was so that they could still benefit from pre-existing, but not yet realised, bequests. For example, nothing was known about the John Robinson bequests until after the ECF was established. Had the BCF been closed, it is unknown what would have happened with that money.
- There were certain conditions imposed on the use of the money from the John Robinson bequests. It was essential that the terms of his will were respected.
- Transferring money from a fund with unrestricted use to one restricted to charitable use made an assumption about the intentions of any original donors of that money.

- There would be little benefit in transferring activities to the Trust as charities were still liable to pay VAT with relatively few exceptions; which activities could best be supported by the Trust would be investigated further when established.
- The existing PIF Trust Deed expires on the 20th May 2014. It had already been extended by 1 year in 2013. If substantial assets were to be left in the PIF, it might be better to renew the Trust Deed again for a short period, rather than the full 21 years stated in the existing proposal to Council. David Eustace's preference was for this shorter period to be 1 year.
- There were 2 parts to the PIF, referred to as PIF1 and PIF2. The latter held the John Robinson bequest money that was not limited to charitable uses. The total sum involved was around £300k, with PIF1 valued at £184k and PIF2 at £118k, as of 31st August 2013.
- There were significant capital gains within the PIF that would be liable to CGT if they were realised.
- It was up to the trustees to decide what to do with Chess Centre Limited, but this would probably be transferred to the Trust as well. There might be a CGT liability, but this could be avoided if transferred to a charity.

Based on the range of issues raised and views amongst the Board, David Eustace made the following proposal:-

Proposal: renew the Trust Deed for the PIF for 1 year until 20th May 2015, thus amending the date of 20th May 2035 accordingly in the current text of item 6.1 on the BCF Council agenda, and delete item 6.2 of the agenda in favour of an extended period of consideration and consultation on transferring funds to the Chess Trust.

Agreed nem con

The Chairman closed the meeting at 12:10

Signed as an accurate record

Date