

**EXTRAORDINARY COUNCIL MEETING, 12 JANUARY 2013****PROPOSED EXTENSION OF THE PERMANENT INVESTED FUND TRUST DEED**

The British Chess Federation has a Permanent Invested Fund (“PIF”), originally established by a trust deed in 1929, which means that there is currently a significant amount of financial capital legally attaching to the BCF, which is therefore included in the BCF rather than the ECF accounts. The PIF is in two parts:

- (a) The original PIF, which includes both a range of investments and the shares in Chess Centre Limited and which has a market value of approximately £147,000.
- (b) The John Robinson PIF, comprising the element of the John Robinson legacy to the BCF which was not, for tax reasons, placed with the agreement of Council into the John Robinson Youth Chess Trust. This part of the PIF and the Trust collectively provide income of £10,000 to the British Championships each year in accordance with a request in the will. This has a market value of approximately £118,000.

The trust deed needs to be renewed every 21 years, and next falls due for renewal in February 2013.

The PIF is under the control of three trustees, who are currently Ray Edwards, Keith Richardson and Julian Farrand. The trustees are members of the BCF and ECF Councils.

It had been the Board’s intention to hold an Extraordinary General Meeting of the ECF in January or February 2013 in order to agree the rule changes necessary to divide the organisation into an ECF with exclusively charitable objects and a new organisation to be called Chess England which would be responsible for International activities and the British Chess Championships. In the absence of action being taken to extend the trust deed, the funds in the PIF would have passed out of the control of the trustees and back to the BCF. A paper on financial capital had been prepared by Andrew Farthing for the April Finance Council meeting, and was subsequently published on the ECF website for comment. This envisaged that some capital would be transferred out of the former PIF funds both to the ECF, to increase its reserves to £50,000, and to Chess England to provide it with a £50,000 buffer against possible fluctuations, particularly in respect of the financial outcome of the British Championships. The remainder of the funds could have been left in the BCF to provide a sufficient foundation to rebuild a national chess federation in the event of a catastrophic failure in the other organisations, and to provide a “reserve of last resort” if specific support were to be sought by one of the other organisations at a future date

In considering the current state of the proposals for converting the ECF into a Charity, the ECF Board has concluded that a number of areas needed wider discussion and clarification:

1. The relationship between the various chess bodies in England and FIDE. Concerns have been expressed as Chess England would fund the international teams, but ECF is the body with individual membership and this seemed to lead to an anomaly.

2. Whether Chess England provided a sufficiently robust framework to ensure the continuation of the British Championships and international teams in the possible combined circumstances of a lack of sponsorship and financially unsuccessful championships. Concerns have also been expressed about the proposed funding mechanism.
3. Continuing uncertainty about the financial benefits of becoming a charity, i.e. whether all or part of the individual membership subscription could be gift aided. In this respect it could be beneficial to wait and learn from the experience of other bodies contemplating a change to charitable status.

In the circumstances, the Board does not regard it as appropriate to proceed with the envisaged ECF EGM. However, action is necessary in respect of the expiring PIF Trust Deed. In order to preserve the status quo until the proposals for charitable status have reached fruition, and leave in the protection of the funds being under the control of trustees who can only distribute capital on the authority of a Council resolution, Council is asked to agree to the extension of the PIF trust deed for a period of 15 months, which would enable the necessary decisions to be taken at any of the next three scheduled Council meetings up to and including the April 2014 Finance Council. There would be no change to the current arrangements: the existing trustees have confirmed that they are willing to continue to act.

The trustees have expressed the view that an extension for a period longer than 15 months might be prudent. An amendment to this effect can be considered by the meeting if it is duly proposed and seconded.