CTC Charitable Status – The Case against Unification – Minorities Report

a) Brief intro and history, rationale for a minority report;

Some years ago, in 2004, National Council undertook to determine the value of charitable status for CTC, although little was done until the opportunity to move the National Office, in 2006. At this time the CTC Charitable Trust was created and the Club's main asset, the property, along with most of the staff, transferred to the new organization. The Club remained a Company Limited by Guarantee.

It has since become clear that the Trust/Company relationship leaves a lot to be desired and has created governance, strategic, financial and organizational issues that have proved difficult to resolve.

The CTC Council case for unification centres on a report commissioned from CASS which, far from providing an overwhelming case for unifying CTC into a single charitable organization, avoids addressing key implications of unification.

The authors believe current and future issues can be resolved within the existing structure, albeit with better separation and management of company and charity functions. Furthermore, this approach would provide business strategic, transparency and risk management advantages.

b) Disadvantages of a unified structure (reference the CASS report, Section 4.2):

- **The 2006 Charities Act:** would apply across all CTC's activities, and CTC would become subject to the Charities Commission interpretation of acceptable "charitable activities", "member benefits" and what constitutes the "public benefit";

- **Accountability:** far from becoming more transparent, lines of accountability run the risk becoming even more unclear and diluted than they are at present;

- **Governance:** whilst a single body, CTC Council, would have control over all activities in practice this body would have a statutory obligation to act in the public interest and that of the Charity itself. With those statutory priorities benefits and services become discretionary in terms of trustee decision making (and governed by Charitable Commission interpretation of acceptable "member benefits");

- **Tax benefits:** the facility of gift aid is available under the current structure, but CTC chooses not to provide it to members. The suggested scale of financial benefit is overstated and only marginally significant when overhead costs are included. Furthermore tax benefits are at the discretion of government and cannot be guaranteed in the future;

- **Greater public goodwill:** there is no evidence to believe this will be the case;

- **Protection against being privatised:** government has said that it would favour a reduced number of charities, currently around 20,000 in England; a fully unified structure runs a greater risk of forced merger in the future;

- **Diversity of income:** direct exposure of members funds to losses and project over-runs on either trading or charitable activities, or both, will increase through unification;

- **More inclusive:** there is no evidence that CTC would become more inclusive;

- **Protection from maverick council:** as described earlier, CTC trustees would be obliged to act in the best interests of the charity and public benefit. In terms of members control, the risk of a maverick board is therefore more significant in a unified structure than in a split structure.

c) The Alternative: retain a split structure:

In principle a split structure should not present any difficulties, and there are many, many successful examples of such a structure. The current governance issues are a consequence of the lack of attention to strategic, organizational and operational implications when the trust was originally set up.

As a means to address these issues current activities, along with funding sources and staffing, would be divided between the two. Each would have separate governance arrangements, with those of the Charitable Trust strengthened by extending CTC board representation.

d) Benefits of a split structure;

- **Freedom to choose regulatory regime:** activities can be placed in Company or Charity, whichever is necessary to maximise strategic, financial and/or business advantage along with improvement of benefits to members, cyclists and the public;

- **Membership control:** members control the company subscriptions are paid to, with no possibility of conflicting company/charity requirements;

- **Efficiency:** management of each individual organization has a narrower and more focussed set of activities to control. Accounting and performance evaluation becomes simpler, clearer and more transparent within each individual organization;

- **Management of risk:** risks to member and charitable funds can be better managed, with the impacts limited to respective organizations;

- **Independence:** the independence of both CTC and the CTC Charitable Trust would be better protected and even strengthened by remaining separate whilst still linked;

- **Business Performance:** each organization can concentrate on narrower and non-overlapping sectors of the market for cyclist services and support.

- **Tax Efficiency:** There are tax and funding mechanisms, including Gift Aid, which either CTC or the Charitable Trust, or both, may take advantage of.

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