



Cheltenham & County Cycling Club: An informal Q&A briefing on our legal status

Why do we need to form a new legal entity?

Legally the current “club” is simply a collection of individuals. It does not exist as a legal entity. We each have joint liability, which means that in the event of legal action being taken against the club we would all have unlimited liability exposure. We are, therefore, reliant on our insurance, the conditions that our insurers impose and the caveats that come with it.

The club itself is unable to own property or to form contracts since it does not exist as a legal entity, which means it is currently the club officials/volunteers themselves who are legally bound by any contract undertaken, like in the case of hiring a village hall, etc. Officers and volunteers are therefore likely to be particularly exposed to the threat of litigation and it may be increasingly difficult to get people to help the club to do the things we like/want to do in the future.

What is a company limited by guarantee?

A CLBG exists as a separate legal entity which can own property and enter into legally binding contracted arrangements. Each member’s liability is limited to a nominal amount, typically £1. There are no shareholders just members.

The company will have Articles of Association which state the purpose of the club, whether it intends to make a profit (“no” in our case), how directors are elected, how decisions are made, etc.

Directors are responsible for ensuring the company is run in accordance with its Articles, the law and in the best interests of its members. The directors face personal liability in the event they do not reasonably fulfil these duties correctly.

Have things changed since the C&CCC SGM?

We have identified a number of issues associated with transforming our club into a company. We have, with the assistance of a lawyer, resolved most of the issues that have cropped up but there are still a few of the more practical considerations to work through. For example, we would like to keep the look and feel of the club and its management structure in line with that of the last 100 years, but we do have to recognise that some things inevitably have to change. However, we are trying to maintain the current ethos and retain a Committee (to manage affairs and ensure that the club is held true to its objectives), but we need to temper this with the fact that, legally, directors are fully responsible for the



operation of the club and so cannot be restricted or limited in the exercise of their power. We are currently looking to come to some arrangement which manages to meet the latter requirement, whilst not changing a successful cycling club into a miserable corporate body.

Why do you refer to “directors” and how many should we have?

We are aware that many volunteers do not want to become a director and yet a legal company has to be run by named director/s, registered with Companies House. Making it a requirement for all committee members to be directors is likely to make it difficult to fill vacancies on the committee.

At the other extreme, just one or two directors are unlikely to be representative of the club as a whole and there would be a higher risk of these directors having their own agenda (which may not be in the best interest of the club or our membership). We therefore believe that the appropriate number is somewhere between 3-5.

Who would these directors be?

It seems logical that the **Chairman** has to be a director as the role is the position of highest management responsibility within the club. In addition, we initially recommend the **Secretary** (to ensure the standard role of a Company Secretary is fulfilled) and the **Treasurer** (to ensure there is good reporting and control to protect the new company assets).

We are planning to nominate, vote and appoint the directors at an AGM or SGM. Alternatively, where situations dictate, a quorum of directors could appoint another director (which would be ratified at the next GM if required).

Initially the new company (“C&CCC Ltd” or similar) will have no members and so there will be no one to vote in the new directors. We therefore recommend that the roles are given to the **Chairman, Secretary** and **Treasurer** as voted in at this AGM (2018) until the first AGM of the new club when the membership of the new club can specifically vote in “directors”.

A quorum and power to make decisions that are deemed to be in the specific interests of the club/company would rest with a majority of the directors, but we are mindful that Committee exists to make balanced decisions and help to guide the club.



How long would these directors serve?

We are still working through the detail but the initial appointment of directors will be limited to one year. A director may resign midterm or be removed (if deemed to be failing to execute their duties properly).

How would the transition happen?

The exact mechanism and timelines are being worked through but we anticipate that, once the new Committee has agreed the basic management principles, there will be a specific membership vote to accept a resolution and formal adoption of the Articles of Association. This may be as soon as the Xmas party as it offers an ideal opportunity to combine a short SGM with an existing function. We would then form the new legal entity and register it with Companies House.

Next, the club would need to approve for all assets, liabilities, rights and obligations of the current club to be transferred into the new legal entity. We would then transfer our affiliations, assets (cash, clothing stocks etc) and any liabilities into the new entity.

Ideally, membership for the new entity would start on **1st January 2019**, but could be later as required.

What if members have already renewed membership for 2019?

The current plan is to freeze membership renewal until the new entity has been set up. However, for those who have already renewed then we would seek to deal with these by exception and/or specific written objection until the next renewal opportunity.