

Executive Summary

A Panel comprising senior members of the LDWA and Officers of the NEC, all having experience of the Charity and Not-for-Profit sector, were brought together to consider the implications and benefits of the LDWA pursuing Charity status. Below is a summary of their findings. The full report of their considerations follows.

The discussion focused on the perceived key factors. These were considered to be:

- Financial
- Governance and structure
- Image
- Management and Administration
- Process

After lengthy and detailed discussion the following conclusions were agreed:

- Obtaining charity status will generate set-up costs (changing the Constitution and ByLaws) and create an extra administrative burden (setting up the Gift Aid process and a system for monitoring and reporting discounts).
- The opportunities to access new revenue streams will only be as a result of a lot of work preparing grant applications to funding bodies (with possibly no prospect of success) and setting up/administering the necessary structures to take advantage of Charity status.
- Conversely, not becoming a charity does not cut us off from funding for future projects, e.g. increasing subscriptions, inviting donations, commercial activity, grant applications or building reserves.
- Local Groups may not see any benefits for them from charity status, may find it necessary to apply for charity status in their own right and may even perceive it as a 'power grab' by the NEC, e.g. LDWA's annual accounts will have to include the data from Local Groups' accounts. Local Groups would continue to be free to raise, retain and spend money but those funds would no longer belong to them and could be legitimately called on by the NEC.
- There will be potentially more external regulation through corporate performance measures and targets set by the Charity Commission. The Charity Commissioners focus on measures such as inclusivity and diversity, and we would be expected to set targets and publish regular records on such aspects. We do of course promote inclusivity and diversity, but the associated paperwork would be an additional workload (at national and local levels)
- To meet charity governance criteria we will need to have a tier of Trustees with oversight over the NEC's activities. Seeking volunteers for such senior and responsible roles is already proving difficult.
- Our volunteer-led approach means that people are committed but limits the resources available to manage major projects such as a move to Charity status would entail. Especially at the same time as a major IT Development Project and our 50th Anniversary year.
- In reality our niche activity of long distance walking is not going to have a social benefit such as prompting people to take up walking.
- Although a number of the current barriers would be overcome in time with the implementation of a new business system, at this time the resource available to manually administer the necessary returns to gain any benefit would be prohibitive.

Introduction

The NEC was asked to consider, once again, whether moving the Association to Charity status to enable the LDWA to take advantage of an additional funding stream in the form of tax relief on Gift Aid would be beneficial.

The impact of becoming a charity however would be much more wide ranging than simply opening up an additional funding stream. Therefore, in order to do due diligence and undertake a thorough review the NEC followed a two-stage process:

1. An LDWA member who worked in the Charity Sector and was regarded as a specialist in the field was invited to give a presentation to NEC on Charitable status, what this would involve and take part in a question and answer session.
2. A panel was formed comprising:
 - a. Ken Falconer – LDWA Vice-President, Former Chair, Secretary and Editor
 - b. Tony Willey – Former Chair and Treasurer
 - c. John Elrick – LDWA Treasurer
 - d. Stuart Bain – LDWA Risk Officer
 - e. Julian White – LDWA Communications Officer
 - f. Julie Cribb – LDWA Chair

In addition to their current or former roles within LDWA, each of these individuals have experience of working or volunteering within the Charity sector and had contacts in similar organisations who could give valuable insights.

Key Points

Prior to the panel meeting all members shared information and experiences from a number of sources. NEC invited Paul Fredericks, formerly of the Charity Commission and who subsequently worked as an independent advisor to charities, social enterprises and not-for-profit organisations, to give a presentation and to take questions.

Information was also researched from the Charity Commissioners website and

https://library.croneri.co.uk/cch_uk/cig/19-2.

The discussion then focused on the key factors that had been identified. These were considered to be:

Financial Considerations

Gift Aid

Charity status would enable the Association to claim tax relief on subscriptions, donations and potentially a proportion of Challenge Event entry fees. However, the extent to which this is allowable depends on many factors including member benefits, discounts and the differential between charges to members and non-members for activities, events or products. All sales and services would need to be monitored and reported upon and benefits calculated across the whole membership. This would not be a big issue in the future when the new business system is operational, and much of the process could be automated, but would be an enormous undertaking now.

The eligibility of the current membership would need to be ascertained – that is around 10,000 historic members need to be invited to register for Gift Aid. Not all would be eligible, and others may not wish to register. Even using bulk email to contact members would not yield 100% registration. It is known that a significant number either do not receive or do not respond to these. Also, the age profile of the current membership could mean that the yield is actually lower than that previously estimated.

Bequests

Tax relief can be claimed on bequests. For LDWA the number and value of bequests is very limited and this would not make a significant contribution. It is considered that more members may consider making a bequest to a charitable organisation.

Funding streams

A number of organisations will only grant funding to charitable bodies. However, there are many organisations, government bodies and private companies that will accept funding applications from organisations that are not registered charities.

Local Group funds

If the LDWA were to be registered as a Charity, the Local Groups would be classified as 'branches defined by geographical location', the funds of the whole Association would be considered as one and able to be controlled centrally. Groups would lose autonomy over how they wished to disburse their funds. The National Body could levy funds from the Local Groups.

Accounts of the Association – National and Local

As a Charity Local and National accounts could come under closer scrutiny.

Governance and structure

Charitable organisations are required to have a Board of Trustees as well as a Board of Management. The Board of Trustees are also volunteers with the responsibility of overseeing and ensuring the appropriate operation of the Board of Management and ensuring the Business Plan and the Charitable Objects and Aims are carried out. To enable this additional tier in the Governance structure more volunteers will be required to serve at a high level of responsibility.

Local Groups may wish to register as charities in their own right to retain control over their funds. However this would create an additional administrative burden, not only for the application process, but also for the ongoing monitoring and reporting.

The Association would need to draw up a new Constitution, with specialist legal support. This would be a costly and lengthy process. Local Groups would need to amend their constitutions accordingly too.

The Charity Commission is able to make more demands and interventions on a Charity than is the case operating under the auspices of Companies House.

Image

It was considered unlikely that the image of LDWA seen from outside would be affected by a move to Charity status. It was suggested that more individuals are likely to leave a legacy to a Charity than to a non-Charity. It is more likely that any individual would leave a legacy to any organisation that they had had a long and happy association with and felt strongly about.

Internally it was thought that the majority of members were unlikely to consider long distance walking for their own health, social interaction and enjoyment as a charitable activity.

The Charity Commission would insist that the focus of the Association would be to promote long distance walking to the general public, rather than the current focus, which is largely to support the interests of our own members.

Management and Administration

There is an optimum size and turnover beyond which the financial benefits coming from charitable status can be maximised. It would require someone with specialist knowledge and understanding of the system and regulations to ensure any organisation could benefit from becoming a charity. The LDWA does not as yet have that critical mass and any financial benefit it could gain over the short term would likely be subsumed to pay for expert advice and specialist services.

Significant administration would be required to capture historic membership eligibility, follow up queries and establish the claim procedure for Gift Aid.

Website changes would be required to reflect the new status – these would not be possible within the constraints of keeping the current system operational.

Changes to the online application form would also be required, which again are not currently possible.

Monitoring, administering and reporting member benefits across all of the Association's chargeable activities would pose a significant challenge until electronic means of providing such reports are available. This is not something that can be done in the short term.

LDWA would be required to set measurable targets in a number of areas including Equality, Inclusivity and Diversity, have plans in place to achieve them and then report on them on an annual basis.

In short there would be an increase in the level of bureaucracy across the whole Association, nationally and locally.

Process

Moving to Charity status would be a lengthy process:

- Proposal at AGM
- Would need 75% majority of members to proceed
- Need to revise the Constitution with legal support
- Need to have the Constitution agreed by the Charity Commissioners
- Implement changes throughout the Association, including Local Groups

Other

Many of the requirements for administration, monitoring and reporting are not feasible on the current website. Until the new business system is implemented it will be impossible to automate many of the reports required to maximise the benefits of charitable status.

NEC are in the process of managing the Digital Transformation project as well as planning for the 50th Anniversary Year. Moving to Charity status now would be a major distraction from both of these important projects. Indeed, the new business system would be critical in enabling maximum benefit to be gained from charitable status.

The Association cannot simply become a Charity – it would need a new Constitution, that was agreeable to the NEC AND to Local Groups, and also be approved by the Charity Commission.

Charity status would require additional volunteers to support the transition and specialist expertise to maximise any benefit.

It would be very costly at a time when LDWA are underway with other projects requiring significant investment.

LDWA is already a legal entity as a Company Limited by Guarantee, so is already protected in law.

Recommendation

The recommendation of the sub-committee is that the LDWA should not seek Charity Status at this time.

Julie Cribb

Chair, LDWA

On behalf of the NEC Sub-Committee on Charity Status

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