



Collingham and Linton Sports Association  
A COMMUNITY AMATEUR SPORTS CLUB - PROVIDING SPORTS SINCE 1888

# Strategy Paper 1 – Absorbing the Gym



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## 1 Summary

In 2019, the membership of CALSA and its constituent sections agreed to build an extension to the clubhouse. In this extension was located a fourth squash court, a gym and a multi-function room.

Most members probably assume that the gym is formally part of CALSA; like the four sporting sections:

- Cricket
- Football
- Hockey
- Squash and Racketball

Technically, however, this is not the position. This paper outlines how it is proposed to make the gym part of CALSA. What is being proposed now was originally planned to take place in 2025 but the possibility of saving £20k a year in VAT payments has led to this change in strategy.

Subject to this strategy paper being agreed by the CALSA Management Committee there will be proposals made to the Annual General Meeting in November 2022 asking the members to:

- Approve the purchase of GymCo Limited.
- Approve the borrowing of the funds necessary for the buying of GymCo Limited.
- Approve the changes to the constitution which make the gym a fifth sporting section of CALSA.

## 2 Background

### 2.1 The Extension Project

In 2019, the membership of CALSA and its constituent sections agreed to build an extension on the clubhouse. In this extension was located a fourth squash court, a gym and a multi-function room.

Most members probably assume that the gym is formally part of CALSA; like the four sporting sections:

- Cricket
- Football
- Hockey
- Squash and Racketball

Technically, however, this is not the position. This paper outlines how it is proposed to make the gym become part of CALSA.

### 2.2 Funding Issues

In 2019 there was nervousness about CALSA taking on a large amount of debt to fund the extension.

To address this nervousness a separate entity was created; GymCo Limited. This limited company was established with funds from individuals and, not being part of CALSA, no potential liability rested with CALSA.

Legal agreements were put in place to cover the relationship with CALSA such as rent and management charges. There was also an option for CALSA to buy GymCo Limited's shares for the same price that the original investors paid.

### 2.3 The Current Success

The extension project has been a successful venture with the fourth squash court and the function room generating additional income for CALSA.

The gym has exceeded even the most optimistic of the projections presented back in 2019.

This means that the gym, GymCo Limited, otherwise known as One Gym Collingham, is now paying VAT on its membership income which significantly exceeds any VAT reclaimable on its costs.

### 2.4 The Solution

CALSA is a Community Amateur Sports Club – a CASC.

As such it is not liable to charge VAT on membership fees.

Now is, therefore, the time to absorb GymCo Limited into CALSA.

### 3 The Proposal

#### 3.1 Buy GymCo Limited

Buy out all of the shareholders of GymCo Limited; paying a total of £150,000 to acquire 100% of the shareholding.

#### 3.2 Funding

A chart is included as Appendix C.

Approximately half of the funding will come from the same individuals who originally funded the establishment of GymCo Limited. They will lend to CALSA the money in return for Promissory Notes of the form used in 2019 for much of the funding of the extension.

The balance of the funding will come from cash reserves held within CALSA.

#### 3.3 Dissolution of GymCo Limited

After its acquisition, the limited company will be dissolved and all its assets and liabilities absorbed into CALSA.

#### 3.4 Membership Implications

CALSA is a Community Amateur Sports Club – a CASC. In order to retain the many benefits which follow from this status, CALSA must abide by the rules detailed by His Majesty's Revenue and Customs – HMRC

The most relevant of these is the need for a consistency of membership rules, benefits and responsibilities across all sections. If the gym is to be a 'section' then its members must become members of CALSA in the same way that members of the existing four sections are members.

#### 3.5 Members' Approval

The proposals outlined above will need to be approved by the membership of CALSA via a set of resolutions submitted to a general meeting. The intention is for this to be done at the Extraordinary General Meeting in March 2023.

In summary these resolutions are;

- Approve the purchase of GymCo Limited
- Approve the borrowing of the funds necessary for the buying of GymCo Limited.
- Approve the changes to the constitution which make the gym a fifth sporting section of CALSA.

## Appendix A – Timetable

Target Date	Action
September	CALSA Management Committee – approve strategy
September	Agree proposed plan with GymCo Limited shareholders
November	CALSA Management Committee – approve constitution changes
November	Cricket Committee – approve constitution changes
November	Football Committee – approve constitution changes
November	Hockey Committee – approve constitution changes
November	Squash & Racketball Committee – approve constitution changes
March 2023	Extraordinary General Meeting – approve all three resolutions
April 2023	Purchase GymCo Limited
April 2023	Implement constitutional changes
August 2025	Repay all outstanding loans

## Appendix B – Legal Issues

### B.1 SEIS Implications

As part of setting up GymCo Limited, it was registered as a Seed Enterprise Investment Scheme (SEIS). This was the incentive for those individuals who invested their money to form the company.

Various restrictions apply to a company which is SEIS registered. The most significant of these relates to any sale of shares. These restrictions will need to be taken into account in any purchase of shares by CALSA; ensuring that no purchase is in contravention of these rules. The timing of the purchase of each shareholder's shares will need to be phased to ensure this is done.

### B.2 CASC Issues

The regulations relating to Community Amateur Sports Clubs (CASCs) give such clubs many benefits over limited companies or other forms of organisation. These include favourable treatment in relation to corporation tax and reduced business rates. VAT treatment is also impacted by the 'not for profit' element of CASC status.

However, the regulations are prescriptive in terms of the way a CASC has to be structured; especially one which has multiple sporting sections and is, therefore, an 'association'. The most relevant of these in the current situation is the need for parity of rights across members of all sections.

The proposal will be to modify the constitution to include the CASC definitions of 'participating member' and to modify the ongoing accounts to keep the necessary records to reflect this income split.

### B.3 TUPE Implications

The legislation pertaining to the 'Transfer of Undertakings Protection of Employees' (TUPE) will apply to one employee of GymCo Limited; Louise Taylor.

The implications of this are that, when her contract of employment is transferred to CALSA, her conditions of service will need to remain unchanged (unless changes are mutually agreed) and her start date must be specified as her original start date with GymCo Limited.

### B.4 Novation of Contracts

There will be a requirement to novate various contracts currently in the name of GymCo Limited into the name of Collingham and Linton Sports Association. The most important of these are the warranty agreements for the maintenance of the equipment.

### 8.5 Licensing Regulations

The CALSA clubhouse is a private members club. The serving of alcohol in those premises is governed by specific regulations for such clubs.

In any future restructuring of the membership categories account must be taken of the need for everyone using the clubhouse, except visiting teams and 'guests', to be 'members' for the sake of the licensing regulations.



## Appendix C – Funding

Source	Amount
CALSA cash reserves	£75,000
New promissory notes	£75,000
<b>Total</b>	<b>£150,000</b>

### Appendix D – Financial Forecast

This is a summary of the full financial forecast for the next five years. It excludes all the day to running of the association and limits itself to matters relating to purchase of Gymco shares and repayment of debt:

The forecast illustrates that, if this strategy is adopted, the revenues received by the association will suffice to repay all outstanding loans by September 2025 – including those new loans resulting from this buyout.

Key elements are shown below:

Date	Significant Events - Description	£'000	
		Amount	Balance CALSA
			27
Jan-23	Gymco loan to CALSA	70	97
Mar-23	New Promissory notes	75	172
Mar-23	Purchase of Gymco shares	-150	22
Sep-23	Squash & Racketball Contribution	27	49
Sep-23	Gym Rent & Management Fee	27	76
Dec-23	1st tranche of Promissory Notes redeemed	-11	65
Dec-23	Commercial Loan repayment	-20	45
Sep-24	Squash & Racketball Contribution	27	72
Sep-24	Gym Rent & Management Fee	27	99
Sep-24	Contribution from Gym	120	219
Sep-24	2nd tranche of Promissory Notes redeemed	-60	159
Dec-24	Commercial Loan repayment	-20	139
Dec-24	3rd tranche of Promissory Notes redeemed	-123	16
Sep-25	Squash & Racketball Contribution	27	43
Sep-25	Gym Rent & Management Fee	27	70
Sep-25	Contribution from Gym	50	120
Sep-25	New '2023' Promissory Notes redeemed	-75	45