

## Charity Commission publishes operational compliance report into Creed Street Theatre & Arts Centre Trust

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**CATEGORY:**  
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A Charity Commission report finds evidence of mismanagement and highlights the importance of instituting correct governance procedures.

The charity was established in 1987 to advance the education of young people through the arts. The charity had run a theatre building through which it delivered its objects for a number of years. When the trustees decided to sell the theatre, they came into conflict with some of the charity's former trustees and supporters who raised the following concerns and allegations with the Commission:

- the charity was planning to sell the building to a company linked to one of the trustees;
- there was a potential private benefit to the trustees arising from a loan from one of the trustees to the charity;
- there was serious financial mismanagement of the charity; and
- the charity's financial sustainability was in question as a result of an ongoing VAT dispute with HMRC arising from historical mismanagement.

Although the Charity Commission is not a dispute resolution entity, its concerns were sufficiently serious to warrant opening an investigation into the allegations of mismanagement at the charity. The Commission called for documents, including year end accounts which were not yet due, and met with the trustees.

The Commission found no evidence of deliberate wrongdoing but did find that there had been historic mismanagement, examples of which included the trustees' failure to properly document a loan from one of the trustees.

The Commission highlighted the following lessons for other charities:

- the importance of properly managing disputes with stakeholders by following high levels of governance and communicating with them before disagreements escalate;
- the need to demonstrate that trustees' decisions are well-considered. In practice this will often mean taking advice from a suitably qualified person. When selling land or buildings charities are usually obliged to take professional advice in order to comply with the Charities Act 2011;
- while trustees are free to financially support their charities, including lending the charity money on favourable terms (as in this case), such arrangements must be in the charity's best interests. Further, the trustee making the loan must declare a conflict of interest and not participate in the trustees' discussion of the loan. All decisions relating to these kinds of arrangements must be properly documented and evidenced by appropriate written agreements; and
- trustees must cooperate with the Charity Commission, which includes responding to the Commission's requests for information in a timely manner. Failure to do so will escalate the nature of the Commission's involvement.