



Operational Case Report

Creed Street Theatre & Arts Centre Trust (298086)

About the charity

The charity was set up in 1987 with objects to advance the education of young people through the medium of the arts. For some time the charity has run a theatre building in which to deliver its objects.

Why the commission got involved

The charity came to our attention in September 2013, when concerns were raised with us about the closure of the theatre building, which many of the charity's supporters were unhappy with. Over a number of months a range of concerns were brought to us by a number of complainants, including that:

- the charity was planning to sell the building to a company linked to one of the trustees
- there was potential private benefit to trustees as a result of loans from a trustee to the charity
- there was serious financial mismanagement of the charity
- the charity's financial sustainability was in question as a result of an ongoing VAT debt resulting from historical poor management

It was clear that there was a dispute between the charity's trustees and former trustees and members of the local community, including about the question of selling the building. It is not our role to solve disputes, but the concerns raised with us about the charity's management were serious, so we needed to establish the facts and assess the charity's governance.

The action we took

We asked the trustees to provide a range of documents, including the charity's end of year accounts (which were not yet due for submission to us in line with charities' 10 month deadline) and its working accounts for the current financial year. We also visited the charity's premises and discussed matters with the trustees. The trustees were initially slow to respond to our requests.

What we found

We found that the trustees did indeed have plans to sell the theatre building, as the charity was running at a loss and the trustees had decided that the charity could not support the upkeep of the building. We had no regulatory concerns about this decision, as the charity held the building as an unrestricted asset, meaning it was within the trustees' legal powers to dispose of it. The trustees were at that time considering a range of options for the sale, including selling the building to an existing community interest company.

We found no evidence of deliberate wrongdoing by trustees or of attempts by trustees to personally benefit from the charity. One of the charity's trustees had loaned the charity money, but that loan was to the charity's benefit, in that it was interest free and was helping the charity manage its financial difficulties.

However, we found that there had been historic poor management at the charity. Decisions had not been properly documented and the charity had not held an AGM for two years. Similarly, the trustee's loan to the charity was not initially supported by a suitable formal loan agreement. It was clear that the charity needed to seek expert governance and legal advice to resolve these issues and to help with the sale of the building.

Impact of our involvement

As a result of our involvement, the charity's governance was improved. The trustees sought specialist legal advice and an AGM was held, at which the trustees' appointments were confirmed.

With the help of their legal adviser, the trustees went on to sell the building at market value to an unconnected local charity. The trustees have confirmed that the proceeds of the sale will be applied in line with the charity's existing objects.

The charity also regularised its financial management, including by putting proper loan agreements in place.

Lessons for other charities

Managing opposition and disputes

Trustees must do what they consider is in the best interests of their charity. Sometimes, their proposals will be unpopular among some of their members, supporters or beneficiaries. In such situations, trustees must decide whether or not that opposition is relevant to their decision. In some cases, unpopular decisions can lead to heated disputes. It is the responsibility of trustees to try to manage such disputes, and in most cases the commission cannot get involved. Our experience shows that well-managed charities which follow high standards of governance and communicate well with their stakeholders are in a much stronger position to resolve disputes before they become serious. Our [guidance on disputes](#) includes further information for trustees.

Making decisions

Trustees need to be able to demonstrate that their decisions are based on sufficient and appropriate evidence. What this means in practice will depend on the circumstances. It includes deciding whether to take 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.

Our guidance [It's your decision](#) explains the principles of good decision making.

Managing conflicts of interest

Trustees are free to support their charity financially, including by lending the charity money under favourable conditions. However, such arrangements must be in the charity's best interests. The trustee making the loan should declare a conflict of interest and not participate in the trustees' discussion of the terms of the loan. All decisions relating to the arrangements should be properly documented and supported with appropriate written agreements. All trustees should read and use our [guidance on conflicts of interest](#).

Cooperating with the commission

It is vital that trustees co-operate with the commission. That includes responding in a timely fashion to our requests for information. Sometimes, the failure by trustees to co-operate with us can lead to our escalating the nature of our involvement.