

Donisthorpe Miners' Welfare Centre

Registered Charity No. 521410

Introduction

1. This is a statement of the results of an inquiry under section 8 of the Charities Act 1993.
2. Donisthorpe Miners' Welfare Centre (the charity) is governed by a scheme of the Commissioners dated the 30 April 1992. The object is the provision and maintenance of a welfare institute and recreation ground for the benefit of the inhabitants of Donisthorpe and in particular but not exclusively members of the mining community.
3. The income in the financial year ending the 31 December 2000 was £23,756.

Issues

4. The Commission was contacted by the Coal Industry Social Welfare Organisation (CISWO) in November 2003 regarding possible misappropriation of funds and mismanagement of the charity. CISWO conducted its own inquiries into the problems at the charity and produced a report, which they sent to the Commission.
5. Because of the nature of the allegations and the problems the charity faced an inquiry was opened in June 2004 to look into these matters further.

Findings

6. The charity occupies approximately 11 acres of land in the village of Donisthorpe which comprises both freehold and leasehold property. The original miner's welfare centre was a small building used by the inhabitants in accordance with the trusts.
7. In the late 1990s the trustees concluded that the building was becoming difficult to maintain and decided to look into funding for a new building. In early 2000 the trustees were told by CISWO that the area in which the charity was located had been included in the proposed Coalfields Community Landmarks Scheme (CCL) backed by the Millennium Commission and a number of local county councils. CCL was tasked with the regeneration of former mining communities by co-ordinating 12 building projects throughout the counties involved.
8. The proposed new building was to be considerably bigger than the old one and would incorporate a bar and restaurant area. The company responsible for the general management of all the building projects was [REDACTED] whose job it was to liaise and co-operate with each local project manager. In the charity's case the local project manager was the [REDACTED]. As the appointed project manager [REDACTED] to the

charity was the link with the trustees, funders, consultants, contractors and project development team which made ongoing changes to the scheme because it was a design and build project. [REDACTED] also acted as the liaison between the building contract and land reclamation contract.

9. Although the trustees had overall liability and responsibility for the charity and therefore the project, general oversight and responsibility for administering the project was in the hands of CCL and CISWO. Although the trustees seem to have had concerns at the time that they had little control over the project, especially given its size, they apparently did not feel in a position to do anything about it.

10. Decisions on relatively minor matters such as internal decoration, room design and door placement were generally handled by the local project manager, rather than the trustees, and charity records show that the local project manager was the main contact at the charity for many of the statutory and co-ordinating bodies involved. It was generally [REDACTED] who attended meetings with CCL, [REDACTED] and CISWO rather than the trustees.

11. The building project was seen through to conclusion and the new welfare centre opened in November 2002. The local project manager stayed in control of the day to day management of the new centre once it was opened. [REDACTED]

[REDACTED] They were in control of the day to day operation of the charity although reporting to the trustees on a regular basis. They made many decisions themselves such as signing contracts and ordering work to be undertaken. The trustees did not formally delegate the authority for the local project manager to do this, although they were aware that it was happening.

12. The trustees were aware that the centre was doing a brisk trade but had not put in place any independent monitoring systems to check turnover and relied upon reports presented by the local project manager. In December 2002 the trustees were considering appointing another trustee. [REDACTED]
Before taking on the position [REDACTED] was asked by the trustees to look at the current financial position of the charity and assess it.

13. The trustees had received regular reports from the local project manager on the financial performance of the charity, but had concerns about the level of takings reported. In about early Spring [REDACTED] identified a significant amount of money which could not be accounted for. The trustees discussed this with the local project manager but were unable to shed any further light on the matter.

14. Once it became clear to the trustees that there were gaps in the financial records they contacted CISWO which conducted its own investigation into the missing funds. CISWO were unable to obtain financial records for the periods in question so it was therefore impossible to ascertain exactly how much income had been generated and therefore how much had been

lost. The charity had accumulated substantial debts related to the building project and general operations and owed various parties a total of approximately £250,000.

15. There is no evidence to suggest that the trustees or any other party acted improperly or in bad faith but there is though evidence to suggest that they did not fully appreciate their responsibilities. This is shown clearly by the trustee's limited involvement in the building project and the way in which the local project manager acted outside his remit. Although the various parties involved with the project relied heavily on the local project manager the trustees should have appreciated that it was they not [REDACTED] who had ultimate liability and responsibility for the project and the charity.

16. The historical reliance the trustees of the charity placed on the local project manager meant they had not put in place adequate safeguards or monitoring procedures. Only once the problems regarding finances came to light did they realise that the charity had not been administered properly and was in serious financial difficulty.

17. Although the trustees had been advised by CISWO to establish a wholly owned trading subsidiary to operate the bar and restaurant they left this to the local project manager who did not act upon the advice. If a trading subsidiary had been established to operate the bar and restaurant then a large amount of the debt incurred by the charity would have been hived off.

18. The financial difficulties continued even after the trustees assumed full control of the charity in 2003. The usage of the centre by the local community failed to generate sufficient income for the charity and the charity became unable to pay its creditors.

19. It was also established that as time went on the charity carried out less and less charitable activities with most of its resources spent on maintaining and operating the bar and restaurant. Although there were attempts to carry out community orientated activities in the end the charity existed to run the bar and restaurant.

20. In March 2004 the local Regional Development Agency having consulted one of the county councils that had been part of the CCL called in [REDACTED] to assist the trustees. [REDACTED] operated the Business Recovery Programme on behalf of the Department for Trade and Industry a scheme set up to help ailing small to medium businesses recover from financial difficulty by providing practical advice and support. [REDACTED] helped the trustees to carry on running the charity but was unable to do other than generate enough profit to maintain turnover. They made arrangements with some of the creditors but were unable to satisfy all the remaining debts.

Outcome of the Inquiry

21. In the light of the charity's financial problems and the absence of reasonable explanation for the charity's unaccounted funds, the trustees reported a number of matters to the police but they were unable to identify any offences that might have been committed.

22. The trustees have been unable to generate enough business to provide sufficient funds to maintain the charity and have asked CISWO to appoint an administrator on their behalf. The charity's future is, therefore, uncertain but the Commission is providing continuing advice and support to the trustees and to CISWO.

Wider lessons

23. Trustees must always remember that they are the persons responsible for the administration and management of the charity. Although pressure may be exerted from many different directions they must not feel forced into doing anything they do not feel totally comfortable with. If in doubt then they can always seek appropriate independent professional advice. Trustees must always remember that they are personally liable and responsible for any losses incurred by the charity.

24. If a proposal has the effect of fundamentally changing the size of a charity then the trustees must ensure that the current operating procedures are adequate to manage the transition. If a proposal to increase the size and complexity of the charity is accepted then they must also review the procedures to ensure that they can deal with these changes. Just because the old systems worked does not mean they always will.

25. Charities can find themselves carrying out non-charitable activities and when trustees find that this is the case they must ensure that the activities in question cease immediately. However, if the activity is profitable then trustees can consider setting up a wholly owned trading subsidiary to take control of it. This will ensure that the charity benefit from the profits generated by the activity and maintains overall control. Hiving off the activity can also help to limit liability and protect the charity from incurring unnecessary debts. Many non-charitable activities carried out by charities involve the provision of services which can be high risk areas. 'Hiving off' can therefore serve two useful purposes.