

Report on Annual Return feedback and engagement

November 2023

Background

The Scottish Charity Regulator is making changes to the Annual Return process that will affect all charities. The changes aim to make completion of the Annual Return easier and more valuable for charities. While there will be a change to the questions that charities are asked there will be more support during completion of the Annual Return to help charities get it right. Following submission of the Annual Return, depending on how questions have been answered, the charity trustees may be provided with feedback to support them in running the charity well. There will be different information available to us because of the new questions and more information will be displayed on the Scottish Charity Register allowing the public access to more information about charities.

What did we do to obtain feedback?

We sought feedback from charities, their advisors and umbrella organisations between July and October 2023.

We prepared a feedback document which we published on our website and on our social media channels. We received 14 written responses to the feedback document. Our feedback document asked for comments on the proposed questions and also the additional information which we propose to publish on our Register.

We also engaged directly with the sector. In order to reach as many people as possible we met with umbrella organisations, charity advisors and representatives of groups of charities.

During the period we held meetings with 12 different organisations. We also held a further four meetings with a number of third sector interface bodies who support charities. We held in-person and virtual meetings to allow as much feedback to be gained as possible. At these meetings we discussed the questions, the additional information we intend to publish on the Register and also the wording of the materials to support completion of the annual return and the feedback that may be issued to charities following submission. We offered a practical demonstration of the system to ensure that people could see how it would work,

and to encourage practical feedback on any anticipated issues that users may experience.

What feedback did we receive?

Overall, there was support for the changes and the intention to provide charities with help completing the form and useful feedback at the end of the process. Most of the people we engaged with thought that this was a positive step and would help to improve governance within the sector.

There were some helpful suggestions to improve the clarity of our questions and to simplify the language that we are using.

We also received suggestions as to how we could better word our pop-up information and guidance to maximise understanding.

Specific areas of feedback

Through our focus groups and the written responses we received there were some areas where there was some more specific feedback.

Volunteer numbers

The new question which we propose 'How many people have volunteered for your charity in the last financial year, excluding your trustees?' generated comments both at our feedback sessions and in the written responses received.

Concerns were raised as to how the number of volunteers should be calculated. We were advised that some charities would have difficulty in establishing an exact number of volunteers. Areas highlighted were as follows:

- Where there are a number of different layers to a charity with different groups registered as individual charities, there may be double counting of volunteer numbers.
- Not all charities maintain records of their volunteers, particularly where there is ad hoc volunteering rather than more formal or regular volunteering.
- Different charities may classify volunteers in different ways.
- In some charities the charity trustees may also volunteer for the charity in a different capacity as well.

Description of charity activities

The new question that asks charities to explain what they are set up to do and how they do it also generated a number of comments.

Some of the feedback we received around this was very positive, with comments that it would be useful for identifying where charities may have undertaken activities outwith their purposes. Others thought it would be useful information for the public on the charity's Register entry.

Some however who questioned the usefulness of this information. It was seen as duplication of the information already contained within the charity's Register entry as some people considered the objects and the purposes sufficient to tell the story of the charity. Others felt that people should look at the Trustees' Annual Report and/or the governing document of the charity to understand more about it.

Induction processes

Some feedback was received about the new question 'Do you have an up-to-date induction process so that new charity trustees understand their role in the charity?' Comments were as follows:

- Some charities do not change charity trustees often so this may be an unnecessary burden for them.
- The guidance refers to 'formal' induction process which suggests something onerous.
- There should be reference to ensuring there is knowledge of the governing document.
- There should be more detailed guidance about what an induction process should entail.

Is the charity part of a group as either a parent or a subsidiary?

This question was previously asked of larger charities but is now also being asked of smaller charities, raising some concern as to whether smaller charities would properly understand it. The question is intended to identify charities which are part of a group for accounting purposes. But respondents thought that charities who were part of an umbrella organisation and also smaller charities who called themselves groups may incorrectly answer this question.

Land and property owned by the charity

We received comments on the question that will be asked of charities preparing Receipts and Payments accounts in respect of land and property which they

own. It was highlighted that property can be used to refer to any type of property held and not just buildings. We also received comments that unincorporated charities and trusts will not hold title to any land or buildings directly, but these will be held by individuals on behalf of the charity.

Next steps

We have been reassured by the responses we have received from our consultation process. The engagement has been useful and positive and we will implement recommendations to clarify and simplify the questions and guidance.

We have considered the more specific areas and will make amendments to address these as follows:

Volunteer numbers

We understand there is a complexity to this question which we had not initially appreciated. We have decided to use bandings initially to collect this data. This will allow charities to be assured that an estimated figure is acceptable. We have now introduced a guidance icon for this question to support charities with its completion. The guidance outlines that we expect people to include only their regular and formal volunteers, as we appreciate that it would be too burdensome to expect charities to include all of their ad hoc volunteers.

We would welcome umbrella organisations considering an appropriate way for their members to respond to this question and preparing guidance accordingly.

Description of charity activities

We acknowledge that for many charities it is easy to understand what they were set up to do and the activities that they undertake from the objects and purposes on the Register entry. However, this is not the case for all charities. Some have very broad objects and a wide range of purposes, and it might be difficult for a member of the public to understand what this means in practical terms.

We agree that this should also be clear from the charity's Trustees Annual Report but unfortunately this is not always the case, and not every member of the public can confidently read a set of accounts and access this information.

We have therefore decided to retain this question. We have introduced a character limit of 1,000 characters so that we only receive a short statement from charities.

Induction process

We appreciate that some charities will retain charity trustees for a long period and as such the induction process is not so relevant for them. We would expect them to still have a process by which new charity trustees can learn about the charity so that they are prepared for when this occurs.

We agree that 'formal' gives the impression of something very structured and as such we are removing this reference from the guidance. We will also make it clear that a good induction process must ensure charity trustees are aware of and understand the charity's governing document. We have improved our signposting to organisations that may be able to support charities with developing appropriate processes.

Is the charity part of a group as either a parent or a subsidiary?

We agree that this question may be confusing for smaller charities. We have therefore decided to break down this question to help charities answer it correctly.

Charities will now be asked:

In order for us to understand the structure of the charity please select from the following:

- The charity is the parent of a subsidiary body/bodies
- The charity is a subsidiary of a parent body
- Neither of the above

This will make it clear that we only want to know about charities which are part of a group for accounting purposes.

Land and property owned by the charity

We have amended the question to ask about 'land and buildings' owned by the charity to make it clear that we are interested only in the heritable property of the charity.

We have also expanded our guidance to make it clear that we expect charities to include land and buildings which are owned on behalf of the charity and not only those directly owned by the charity. This means that unincorporated charities and trusts will be clear that they should also include any land and buildings owned by others on behalf of the charity.

When changes will be made

The new questions will be asked of all charities with a financial year end falling on or after 30 November 2023. We will ensure that the new questions and guidance are available on our website prior to this date.

Conclusion

We would like to thank all those who took the time to respond to our feedback document or attend one of our sessions. The comments and thoughts we received have been invaluable in ensuring that the new questions and the guidance are fit for purpose.