



Office of the Scottish Charity Regulator Consultation on a proposed monitoring programme

Response of the Scottish Museums Council

Introduction

SMC is the Scottish Executive's main adviser on local museums and galleries in Scotland, and the membership body for Scotland's non-national museums. In addition to providing strategic leadership for the sector, development advice, and support services to museums, SMC distributes significant funding on behalf of the Scottish Executive to museums in Scotland, responsible for a grants programme of £1.3 million in 2004/5.

SMC has over 200 members who in turn manage over 330 museums. Our membership encompasses 168 independent charitable organisations, the majority of which are constituted as charitable trusts or charitable companies limited by guarantee. They range in size from the small community museum with a budget of less than £1,000 a year to larger industrial or open air museums with budgets in an excess of £1,000,000. In this response we represent our full range of membership.

Consultation on a proposed monitoring programme

Generally, we believe that the introduction of a monitoring programme is a positive step for the charity sector. It will help promote public confidence in the essential work of charities, and, if sufficiently resourced, will encourage charities to be better managed and to work towards good practice. We are particularly supportive of the positive and proportionate approach that OSCR has taken in devising the proposed monitoring programme, based as it is on an assumption of compliance amongst charities rather than a suspicion of misconduct. We believe that the proposed monitoring programme will take appropriate account of the scale of different charities and the extent of their financial activities, will have clarity of process, and for the majority will not be unduly burdensome. We welcome the level of consultation undertaken in reaching this end.

In response to the specific questions raised in the consultation paper we would make the following points.

Do you think the six objectives listed in section 3 are reasonable aims for OSCR's monitoring programme?

We agree that the objectives of the monitoring programme are reasonable. In particular we recognise the benefits of a structured monitoring programme that aims to encourage good practice in charitable accounting and contributes to raising standards of governance across the sector.

Are we right to base our monitoring programme on the submission of an annual return? Are there any alternatives we may not have thought of?

It seems a logical step to base the monitoring programme on the submission of annual returns. An annual timescale should not be too onerous and the return should provide a simple structure against which organisations can provide information that they will already have compiled for their own accounting purposes. In this sense the amount of additional work for charities should be minimal and manageable, particularly given the proportionate approach to information gathering.

Our experience of administering the Museums Registration scheme in Scotland has proved that annual returns are a useful mechanism for gathering monitoring information. Many of our independent members that have Registered status will already be familiar with the annual return process. As from 2006 Registered museums will also be encouraged to submit Registration annual returns in electronic format. We acknowledge, as does OSCR, that this transition will not be easy for every organisation to make and are encouraged by OSCR's commitment to investing in making this possible for its own purposes, and its phased approach to the introduction of electronic submissions.

Are there categories of charities that we should make exempt from the return system? If so, why?

We do not believe any charities should be exempt from this system, in the interest of openness and accountability. The introduction of a proportionate system of monitoring should ensure that smaller charities are not unduly burdened with reporting procedures, but still benefit from the public confidence ensuing from regulation and will benefit additionally from compliance with good practice.

Is £25,000 the right amount for the income threshold below which most of the form does not need to be completed? What would you suggest?

We agree that this is an appropriate income threshold. For clarity's sake it continues the existing threshold provided for under the Charities Accounts (Scotland) Regulations 1992. For our purposes it would continue to correspond with the boundary set to distinguish between small independent members who pay a flat rate subscription fee and those with higher incomes who are required to pay an additional amount. Approximately two thirds of our independent members would fall into the below £25,000 category and would therefore be eligible to report at the simpler level.

Are the timings and deadlines proposed at the end of section 5 reasonable? What changes would you suggest and why?

We believe the given timescales to be reasonable, particularly since they will take appropriate account of individual charity's own accounting periods.

Would you suggest any changes to questions in the draft return form? Take any out? Add further ones? Please explain your thoughts.

The form appears to be fairly comprehensive. It clearly will provide OSCR with a combination of information, that with which to monitor the activities of individual charities and that with which to build a picture of the sector as a whole. However, in the interests of making the latter more comprehensive might all charities, regardless of income, be asked to respond to questions relating to charitable causes, beneficiaries and methods of operation? Whilst not increasing the burden of reporting by smaller charities unduly, this would significantly improve OSCR's ability to report on the sector, given that providing information about the charity sector is one of the objectives of the monitoring programme.

In order to make completion of the form easier for museums in particular, we would ask for clarification of the categories of beneficiaries in section D. At present 'social inclusion, regeneration etc' is the only, although not most obvious, choice for a museum or heritage organisation to make. If 'education' or more broadly 'culture' were included this would provide a closer fit.

How might we improve the guidance notes?

It would help if the numbering on the guidance notes related clearly to question numbers on the annual return form. This would make for quicker referencing between the two. Although a glossary is provided it might also be useful to include definitions at the point in the notes to which they pertain. Again this would make for simpler referencing for those that are unfamiliar either with the demands of the annual return form or the expressions used in the notes, and would eliminate the need for too much shuffling between separate sheets. The language in the notes is, however, clear and easy to understand.

It has been noted by our members that having accounts in the correct format significantly aided the transfer of information to the annual return form. Might there be a role for OSCR, therefore, in providing guidance on and encouraging appropriate accounting practice, thereby reducing the burden that additional reporting may bring?

Does our approach properly balance the accepted need for improved regulation with the needs and capacity of the charity sector?

We would agree that the charity sector requires improved regulation, for all the reasons previously stated. However there is a concern that for a number of charities with few paid staff or run entirely by volunteers the transfer of information from their annual report to the annual return may appear solely as a duplication of effort and a further burden on their time. OSCR should ensure that its approach to information gathering takes such organisations into

account. This might be resolved by attention to the point above relating to guidance on appropriate accounting.

What information should we publish about the charity sector?

OSCR should publish information relating to the size, scope, work and inputs of the charity sector. We believe this type of information could usefully inform the work of organisations, like ourselves, that aim to support charities in some way.

What information should we publish about individual charities?

Published information about individual charities should be limited to administrative details, charitable causes, beneficiaries, and operations. However it is appropriate that financial information is made available on request.