

## Response to the Scottish Parliament Social Justice and Social Security Committee

### Call for views on the Charities (Regulation and Administration) (Scotland) Bill

#### About the David Hume Institute

The [David Hume Institute](#) (DHI) is a think tank, established in 1985 to increase diversity of thought on the economy and society in Scotland. DHI's work seeks progress towards a Scotland that is prosperous, sustainable, inclusive and fair.

Central to our work are the people of Scotland, including those who are seldom heard; from different ethnic and cultural backgrounds, different genders, ages and abilities.

DHI welcomes the opportunity to respond to the Scottish Parliament Social Justice and Social Security Committee's call for evidence on the Charities (Regulation and Administration) (Scotland) Bill.

The David Hume Institute regularly measures the diversity of Scotland's top leaders. For the first time in 2022 our analysis included the leaders of the top 300 charities by income, as they are major influencers and lobbyists who impact on all parts of our society.

Increasing diversity of thought is in everyone's interests as it helps avoid the pitfalls of group think (where similar people think or make decisions as a group, resulting in unchallenged decision-making) and improves risk management and productivity. More equal societies have higher productivity and high productivity allows more investment to create more equal societies.

The top 300 charities by income represent just 1% of the total charities in Scotland and control over £10 billion each year - 73% of the sector's total annual income

As a micro organisation we do not have capacity to respond to every question in the call for views. However, the bullet points below are relevant to the call for views and draw on our research from 2022, [Scotland's top charity leaders - how diverse are they?](#)

#### Key message

- We strongly support updating Scottish Charity Law to enable OSCR to create an open, publicly searchable register of charity trustees.

## Why?

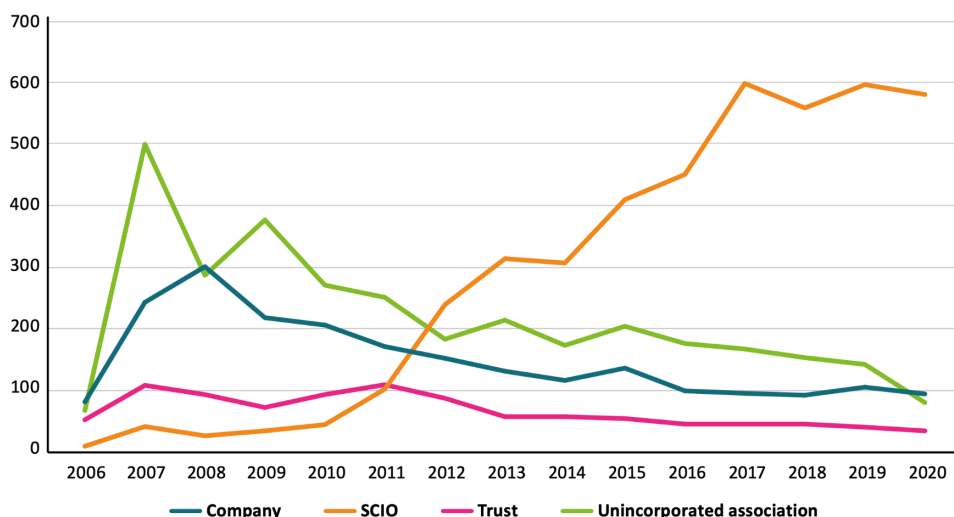
### We're talking big money

- The charity sector in Scotland has an annual income of over £13.17 billion and 208,977 staff. This means the Scottish charity sector is of a similar size to the NHS in Scotland.

### The requirement for transparency has declined since the advent of SCIOs

- Since the introduction of SCIO's in 2011, there has been a rapid growth in SCIO registrations. Companies House requires a higher level of public transparency for directors of companies with charitable status than OSCR currently requires for trustees.

Figure 1: Legal form registered over time



Source: OSCR<sup>10</sup>

### Transparency should go hand in hand with the benefits of charitable status

- Along with charitable status comes a legal duty to deliver public benefit. Many charities receive public funding and tax benefits relating to their legal status. Strengthening legislation to increase transparency and accountability would help maintain and build on high levels of public trust in the charity sector.
- Increased transparency will enable diversity monitoring of charity trustees and help highlight risks related to limited diversity of thought.

## **Update Scottish charity law to stop lagging behind Charity Commission and Companies House**

- The Charity Commission and Companies House already require annual declaration of trustees and directors
- The Charity Commission's research into the experience of charities in England and Wales, finds that eight out of ten of charity trustees agree that 'the rules and regulations trustees have to comply with are important, and are not too much of a burden'.<sup>1</sup>
- OSCR's digital annual return means reconfirming those in control of the organisation could be quick and easy as part of this process. Every registered charity in Scotland should already have a record of their trustees and prepare an annual report and accounts. The choice of what information is in the public domain should not depend on the charity's commitment to openness and transparency.

### **The bill needs to go further**

- It is important that the proposed bill enables OSCR to collect and correlate details of other trustee or director positions (those with significant control) held by individuals within charities on the updated Scottish charity register. This information should be publicly available and searchable via the charity register.
- Ensuring it is possible to search for individual trustees in the Scottish Charity Register in a similar way to Companies House, would aid public understanding of individuals' with potential conflicts of interest.

For further information:

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<sup>1</sup> Charity Commission [Charity Trustee research 2022](#)