

**2010 No. 287**

**CHARITIES**

**The Charities Accounts (Scotland) Amendment  
Regulations 2010**

*Made* - - - - *23rd July 2010*

*Laid before the Scottish Parliament* *27th July 2010*

*Coming into force in accordance with regulation 1*

The Scottish Ministers make the following Regulations in exercise of the powers conferred by section 44(4) and (5) and section 103(2) of the Charities and Trustee Investment (Scotland) Act 2005(a) and all other powers enabling them to do so.

**Citation, commencement, transitional and saving provision**

1.—(1) These Regulations may be cited as the Charities Accounts (Scotland) Amendment Regulations 2010 and come into force on 1st April 2011.

(2) The amendments made by regulations 3(d), 7, 8 and 9(a) to (c) do not apply in relation to any accounts covering a financial year which begins before 1st April 2011.

(3) Notwithstanding its revocation by regulation 11, regulation 12 of the Charities Accounts (Scotland) Regulations 2006(b) (audit exemption for charities which are companies) shall continue to apply to a charity which is a company in relation to accounts for a financial year beginning before 1st April 2008.

**Amendments to the Charities Accounts (Scotland) Regulations 2006**

2. The Charities Accounts (Scotland) Regulations 2006 are amended as follows.

3. Regulation 1(2) (interpretation) is amended as follows—

- (a) for “consolidated adjustments” substitute “consolidation adjustments”;
- (b) after that definition insert ““contingent liability” means a liability that may arise from past events but whether it will, and how much it may be, is not yet certain;”;
- (c) for the definition of “expendable endowment funds” substitute ““expendable endowment funds” means funds consisting of property (which may be heritable or moveable) that has been gifted to the charity with specific conditions attached and which cannot be spent except in those circumstances specified in the terms of the endowment document;” and
- (d) for the definition of “gross income” substitute ““gross income” means the total incoming resources of the charity in all restricted and unrestricted funds but excluding the receipt of any donated asset in a permanent or expendable endowment fund;”;

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(a) 2005 asp 10.

(b) S.S.I. 2006/218, as amended by S.S.I. 2007/136 and paragraph 35 of Schedule 1 to S.I. 2008/948.

- (e) after the definition of “independent examiner” insert ““liability” means an obligation to transfer to another body, at some future time, some economic benefit, which is usually, but not always, a sum of money;”;
  - (f) for the definition of “permanent endowment funds” substitute ““permanent endowment funds” means funds consisting of property (which may be heritable or moveable) that has been gifted to the charity with specific conditions attached, and which cannot be spent in any circumstances;”.
  - (g) in the definition of “the SORP”, after “means” insert “the second edition (published 2008) of”;
- 4.** In regulation 3(7) (financial year), after “three” insert “or more”.
- 5.** In regulation 6(1) (consolidated accounts), for “consolidated adjustments” substitute “consolidation adjustments”.
- 6.** Regulation 7 (connected charities) is amended as follows—
- (a) for paragraph (1) substitute—  
“(1) Connected charities may prepare a single set of accounts.”;
  - (b) in paragraph (2), for “accounts collated into a single document, the document” substitute “such accounts, they”; and
  - (c) in paragraph (4), for “accounts collated into a single document, the accounts” substitute “such accounts, they”.
- 7.** In regulation 8(1) (statement of account – fully accrued accounts) for “£100,000” substitute “£250,000”.
- 8.** In regulation 9(1) (statement of account – receipts and payments accounts) for “£100,000” substitute “£250,000”.
- 9.** Regulation 10 (annual audit of statement of account) is amended as follows—
- (a) for paragraph (1)(b) substitute—  
“(1) (b) prepared a statement of account in accordance with regulation 8 and the aggregate value of its assets (before deduction of liabilities) at the end of the charity’s relevant financial year exceeds £3.26 million;”;
  - (b) in paragraph (1)(d) for “£100,000” substitute “£250,000”;
  - (c) after paragraph (1) insert—  
“(1A) This regulation also applies where regulation 6(1) requires a charity to prepare consolidated accounts.”;
  - (d) in paragraph (4)(b) for “section 25 of the Companies Act 1989” substitute “section 1212 of the Companies Act 2006”; and
  - (e) in paragraph (4)(f)(iii), after “2005” insert “Act”.
- 10.** In regulation 11 (independent examination of statement of account) at paragraph (2)(a)(x) for “or” substitute “and”.
- 11.** Regulation 12 (audit exemption for charities which are companies) is revoked.
- 12.** In regulation 14(3) (preparation of statement of account in special cases), for sub-paragraphs (a) and (b) substitute—
- (a) the Statement of Recommended Practice: Accounting for Further and Higher Education issued by Universities UK on 26th October 2007, and
  - (b) the Statement of Recommended Practice: Accounting for registered social landlords 2008 issued by the National Housing Federation, Community Housing Cymru and the Scottish Federation of Housing Associations on 22nd January 2008.”.

13. In Part 1 (information to be shown on the receipts and payments account and on the statement of balances) of Schedule 3 (receipts and payments accounts) in paragraph 6(c) for “and” substitute “at”.

St Andrew’s House,  
Edinburgh  
23rd July 2010

*FERGUS EWING*  
Authorised to sign by the Scottish Ministers

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Charities Accounts (Scotland) Regulations 2006 (“the 2006 Regulations”).

Regulation 3 amends regulation 1 of the 2006 Regulations to simplify the definition of “gross income” in line with current accounting practice. Definitions have also been added for the terms “liability” and “contingent liability”. The definitions of “permanent endowment funds” and “expendable endowment funds” have been amended. Regulation 3 also updates a reference to the Statement of Recommended Practice for Accounting and Reporting by Charities, issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator.

Regulation 4 amends regulation 3(7) of the 2006 Regulations to clarify that a charity is prevented from having more than two financial years exceeding 12 months in any five year period.

Regulation 5 brings terminology used in the 2006 Regulations into line with current accounting practice.

Regulation 6 amends regulation 7 of the 2006 Regulations to clarify that where a single set of accounts is produced by connected charities, there is no need to produce individual accounts within that set. Regulations 7 and 8 amend regulations 8 and 9, respectively, of the 2006 Regulations; the threshold for preparation of fully accrued accounts increases from £100,000 to £250,000.

Regulation 9 amends, in various ways, regulation 10 of the 2006 Regulations. Regulation 10 makes provision about the annual audit of statements of account for charities whose assets exceed a certain asset value threshold. Regulation 9(a) bases the calculation of a charity’s aggregate value of its assets (before deduction of liabilities) on a figure at the end of the charity’s relevant financial year and increases the threshold from £2.8 million to £3.26 million. Regulation 9(b) increases the gross income threshold in regulation 10(1)(d) to £250,000. Regulation 9(c) amends regulation 10 of the 2006 Regulations to clarify that consolidated accounts must be audited by a registered auditor. Regulation 9(d) removes the reference to section 25 of the Companies Act 1989, which is no longer in force. Reference is instead made to section 1212 of the Companies Act 2006, which sets out the eligibility of a person to act as an auditor. Regulation 9(e) corrects a typographical error in the 2006 Regulations.

Regulation 10 corrects a typographical error in the 2006 Regulations.

Regulation 11 revokes an exemption from audit requirements that is no longer required because it relates to a provision of the Companies Act 1985 which is no longer in force. There is a saving provision at regulation 1(3) to maintain the exemption for accounts for a financial year beginning before 1st April 2008.

Regulation 12 updates references to two Statements of Recommended Practice – one in relation to further and higher education and the other in relation to registered social landlords. These Statements of Recommended Practice are available from Universities UK and the National Housing Federation, respectively.

Regulation 13 corrects a typographical error in the 2006 Regulations.

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