

## **POLICY NOTE**

### **THE CHARITIES ACCOUNTS (SCOTLAND) AMENDMENT REGULATIONS 2016**

#### **SSI 2016/76**

The above instrument was made in exercise of the powers conferred by section 44(4) and (5) of the Charities and Trustee Investment (Scotland) Act 2005 (“the 2005 Act”). The instrument is subject to negative resolution procedure.

#### **Policy objectives**

##### **To update the definition of the Statement of Recommended Practice (“SORP”)**

Chapter 6 of the 2005 Act sets out the duty on charities to keep accounts. It sets out the requirement for charities to prepare for each financial year a statement of account, including a report on its activities in the financial year, to have this statement of account independently examined or audited and to send a copy to OSCR.

Chapter 6 also allows Scottish Ministers to make provision for how the accounts are to be prepared through Regulations and this has been done through the Charities Accounts (Scotland) Regulations 2006 (as amended) (2006 Regulations).

Charities preparing fully accrued accounts are required to do so in accordance with the SORP unless they are a special case charity under regulation 14 of the 2006 Regulations in which case they are required to prepare accounts in accordance with the SORP for further and higher education or the SORP for registered social housing providers.

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

Regulation 2(3) updates the definition of “the SORP” in the principal Regulations to take into account changes which will apply to charities with accounting periods beginning on or after 1<sup>st</sup> January 2016.

There have been recent changes in UK Company Law due to the implementation of the EU Accounting Directive (2013/34/EU). This has led to the Financial Reporting Council (FRC) withdrawing the Financial Reporting Standard for Smaller Entities (FRSSE). The SORP developed by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator (OSCR) to provide guidance to charities in the UK and the Republic of Ireland on how to apply the FRSSE (ISBN 978-1-84508-422-6) is therefore no longer applicable.

The FRC have updated FRS 102 to allow exemptions for smaller entities and also has taken the opportunity to make some other minor amendments to the standard. The changes are effective for accounting periods beginning on or after 1 January 2016.

All charities (other than special case charities) in the UK and the Republic of Ireland must apply the Charities SORP (FRS 102) (ISBN 978-1-84508-421-9) when preparing their accounts on an accruals basis. The SORP providing guidance on how to apply the FRS 102 (ISBN 978-1-84508-421-9) has been updated by way of an Update Bulletin to reflect the amendments to FRS 102.

The Charities SORP FRS 102 Update Bulletin was published on 2 February 2016 and is available from the Chartered Institute of Public Finance and Accountancy or can be downloaded free of charge from [www.charitySORP.org](http://www.charitySORP.org).

**To enable Cross-border charities that are registered as social landlords in England, Wales or Northern Ireland, to prepare their accounts in accordance with the Housing SORP rather than the Charities SORP.**

Regulation 2(2) amends the definition of “registered social landlord” to extend its application to charities who are registered as social landlords in England, Wales and Northern Ireland. The effect of extending the definition is to ensure that bodies which are registered as charities in Scotland but are also registered social landlords in England, Wales or Northern Ireland prepare their statements of account in accordance with their own specialist industry statements of recommended practice. The reason for making this amendment was to ensure that charities registered as social landlords in other parts of the United Kingdom but not Scotland are not placed under an administrative burden of providing accounts under the Charities SORP in Scotland when they are required to prepare accounts under the Housing SORP in other parts of the United Kingdom.

**Consultation**

A full public consultation was undertaken between 18 June and 18 September 2015 by OSCR and the Charity Commission in England and Wales in developing the Update Bulletin to the Charities SORP (FRS 102). Given that there are only a very small number of cross-border charities who are registered as social landlords in England, Wales or Northern Ireland but not Scotland, and OSCR has advised that these bodies would welcome this measure, a full public consultation has not been undertaken on the amendment to the definition of “registered social landlord”. OSCR has been fully consulted and is supportive of this instrument.

**Financial Effects**

There will be costs to OSCR associated with monitoring compliance and also with regard to training but these were always included in the assumptions and estimates of its running costs and were to be met within existing budgets. There will be no additional costs associated with cross border charities that are only registered as social landlords in England, Wales or Northern Ireland preparing their accounts in accordance with the Housing SORP.

Scottish Government  
Local Government and Communities  
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