

POLICY NOTE

THE CHARITIES ACCOUNTS (SCOTLAND) AMENDMENT REGULATIONS 2018

SSI 2018/344

The above instrument was made in exercise of the powers conferred by sections 44(4) and (5) and 103(2) of the Charities and Trustee Investment (Scotland) Act 2005 (“the 2005 Act”) and all other powers enabling them to do so. The instrument is subject to negative procedure.

Policy Objectives

Section 44 of the 2005 Act sets out the duty on charities to keep proper accounting records and prepare statements of accounts. It allows Scottish Ministers (through Regulations) to make provision for how these are to be kept and prepared. This has been done through the Charities Accounts (Scotland) Regulations 2006 (as amended) (“the 2006 Regulations”).

Certain charities are required to prepare fully accrued accounts in accordance with either the Statement of Recommended Practice for charities or, for “special case charities”, the Statement of Recommended Practice for further and higher education or the Statement of Recommended Practice for registered social housing providers as appropriate. Different versions of these three SORPs are applicable depending on when the accounting period in question commences.

Changes to the accounting framework deriving from the Financial Reporting Council have led to the publication in October 2018 of Charities SORP FRS 102 Update Bulletin 2 and new SORPs for further and higher education and for registered social housing providers. Regulation 3 amends the 2006 Regulations so that they include reference to the Update Bulletin 2 and replace the references to the old SORPs for those special case charities.

Charities SORP FRS 102 Update Bulletin 2 is published by the Chartered Institute of Public Finance and Accountancy and available to download from www.charitySORP.org. The Statement of Recommended Practice: Accounting for further and higher education is published by and available to download from Universities UK (www.universitiesuk.ac.uk). The Statement of Recommended Practice for registered social housing providers is published by and available to download from the National Housing Federation (www.housing.org.uk).

The purpose of these Regulations is to update the associated references in the 2006 Regulations.

The changes within Update Bulletin 2 are set out in two groupings each with different application dates: the significant and other amendments contained in sections 4 and 5 will apply to accounting periods starting on or after 1 January 2019, whilst the clarifying amendments contained in section 3 will apply to accounting periods starting on or after the date of publication of the Bulletin (5 October 2018). Regulation 3(2) makes an amendment to the definition of “the SORP” in the 2006 Regulations so that only the clarifying amendments contained in section 3 of Update Bulletin 2 are added to the definition of “the SORP”. That version of the amended definition will then apply to accounts covering financial years beginning in the period from 5 October 2018 to 31 December 2018 (inclusive) (see Regulation 2(1)).

A separate amendment to the definition of “the SORP” is made by Regulation 3(3). That version of the amended definition includes a reference to the whole of Update Bulletin 2 (including the clarifying amendments in its section 3 and the amendments made in sections 4 and 5). That version of the amended definition of “the SORP” will then apply to accounts covering financial years beginning on or after 1 January 2019 (see Regulation 2(2)). The two parallel amendments made by Regulation 3(2) and (3) will therefore apply in different sets of circumstances.

The new Statement of Recommended Practice: Accounting for further and higher education (ISBN 9 978-1-84036-406-4) and the new Statement of Recommended Practice for registered social housing providers (ISBN 978-0-86297-596-8) each apply to accounting periods starting on or after 1 January 2019. Regulation 2(2) provides for the amendment which introduces the references to these SORPs (see Regulation 3(3)) to apply to accounts covering financial years which begin on or after 1 January 2019. Accounts covering earlier financial years are to use earlier versions of these special case SORPs.

Consultation

A full public consultation was undertaken between 20 February and 4 April 2018 by the Scottish Charity Regulator (OSCR) and the Charity Commission for England and Wales in developing Charities SORP FRS 102 Update Bulletin 2.

Impact Assessments

These are incremental changes to an existing framework, and accordingly a Business and Regulatory Impact Assessment has not been undertaken.

Financial Effects

There will be some costs to OSCR associated with monitoring compliance and with regard to training which are to be met within existing budgets.

**Scottish Government
Local Government and Communities Directorate**

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