POLICY NOTE

THE CHARITIES ACCOUNTS (SCOTLAND) AMENDMENT REGULATIONS 2025

SSI 2025/341

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). The instrument is subject to the negative procedure.

Summary Box

The purpose of this instrument is to make the following amendments to the Charities Accounts (Scotland) Regulations 2006 (as amended) (the 2006 Regulations):

a) increasing the audit income threshold for charities from £500,000 to £1 million;

b) changes required to fully implement the Charities (Regulation and Administration) (Scotland) Act 2023 (the 2023 Act); and

c) updating references to include the new Charities Statement of Recommended Practice (SORP), and the SORP relating to further and higher education institutions.

Policy Objectives

Increasing the audit income threshold

Charities and other stakeholders have called for the audit income threshold – which determines the income level at which charities in Scotland are required to have their accounts audited – to be increased. This is due in large part to higher costs associated with undertaking audit, general auditor availability and lower numbers of auditors specialising in charity accounting.

Following engagement with the charity sector, the Cabinet Secretary for Social Justice agreed that the threshold should be increased from £500,000 to £1 million. It should be noted that there are other reasons why a charity may have to have audited accounts, such as a requirement of the charity's constitution or of a funder. The income threshold for the requirement to prepare consolidated accounts in accordance with the SORP has also been increased from £500,000 to £1 million. These changes will apply to accounts covering financial years beginning on or after 1 January 2026.

Fully implementing the Charities (Regulation and Administration) (Scotland) Act 2023

Changes to the 2006 Regulations are required to ensure the third and final set of commencement regulations for the 2023 Act can be brought forward.

At present, the Office of the Scottish Charity Regulator (OSCR) is required to publish either the principal office of the charity or the name and address of one of the charity trustees as part of the charity's entry in the Scottish Charity Register (the Register). A charity can apply to OSCR, by way of section 3(4) of the 2005 Act, to request a dispensation from publishing that information if doing so is likely to jeopardise the safety or security of any person or premises.

The third set of commencement regulations will commence provisions of the 2023 Act that will require, by way of amendment of the 2005 Act, publication of charity trustee names as part of the charity's entry in the Register. Further provisions to be commenced will also require OSCR to make all charity accounts publicly available, which OSCR intend to do by linking from the charity's entry in the Register. As a result, the 2023 Act extends the current section 3(4) dispensation mechanism to all charity trustees names, and not just the primary contact or principal office. This instrument further provides that charities are not required to include any details in their statement of account that are subject to a section 3(4) dispensation or the newly created dispensation concerning those who are not charity trustees, as discussed below.

There are requirements for charity accounts in certain circumstances to include information about other people – for example, where there has been renumeration paid to a person connected to a charity trustee, or where there has been a transaction between a charity trustee and a person connected to them. A new dispensation mechanism (a "safety and security dispensation") is created to ensure a charity can apply to OSCR for a dispensation in relation to any other information that is required for the accounts if there is a safety or security concern for any person or premises.

Updating references to accounting standards

References in the 2006 Regulations to accounting standards relating to preparation of charity accounts are required to be updated. This is due to the SORPs[1] for both the charity sector and further and higher education sector being revised in 2025. These changes will apply to accounts covering financial years beginning on or after 1 January 2026. Accounts covering earlier financial years are to use earlier versions of the appropriate SORP.

UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility

The Scottish Ministers have made the following statement regarding children's rights:

"In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 (the Act), the Scottish Ministers certify that, in their view, the Charities Accounts (Scotland) Amendment Regulations 2025 is compatible with the UNCRC requirements as defined by section 1(2) of the Act."

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

Consultation

There is no statutory requirement to consult on this instrument. However, targeted consultation with key stakeholders, including OSCR, on the audit income threshold has been carried out. The new SORP has been publicly consulted on by the SORP making body[2]. In

[1] https://www.frc.org.uk/library/standards-codes-policy/accounting-and-reporting/uk-accounting-standards/sorps/

[2] https://www.charitysorp.org/sorp-making-body

addition, the 2023 Act amendments were consulted on before and during its parliamentary passage.

Impact Assessments

Consideration was given to all types of impact assessment, and the appropriate pre-screening was undertaken. As a result it was determined that only a Business and Regulatory Impact Assessment and Child Rights and Wellbeing Impact Assessment were required. These have been completed and are attached.

The decision was made not to carry out an Island Communities Impact Assessment following a screening exercise that determined this instrument should not have an effect on charities operating in island communities significantly different from those operating in other communities in Scotland.

The screening exercise identified that according to OSCR's data up to 30 of the approximately 1,250 charities based in island communities currently have an income equal to or greater than £500,000 but less than £1 million. Increasing the audit income threshold should benefit these charities by reducing their accounting expenses.

Financial Effects

A Business and Regulatory Impact Assessment has been completed and is attached. The Scottish Government does not believe this instrument will have an adverse impact on businesses or the third sector within Scotland, the UK, or elsewhere in Europe or the rest of the world.

There are no expected costs to charities and charity trustees. It is hoped that the increased audit income threshold will mean reduced costs for the approximately 700 charities whose income is between £500,000 and £1 million through undertaking independent examination rather than audit. It is hoped there will also be reduced time for charities to prepare for independent examination instead of an audit.

There will be some time involved for accountants, auditors and independent examiners to review the updated legislation and OSCR guidance. However practically the changes made are not substantial and it is standard practice for this sector to continuously prepare for modified rules and requirements as part of their role.

Decisions made by OSCR on the new safety and security dispensation mechanism can be reviewed internally and then appealed to the First-tier Tribunal under the appeal mechanism described at Chapter 10 of Part 1 of the 2005 Act. Consideration was given to the likely impact on the Scottish Courts and Tribunal Service (SCTS).

The existing dispensation mechanism under section 3(4) of the 2005 Act for charity trustees has the same review and appeal process, and in the 20 years it has been in place, no appeals have been made to the First-tier Tribunal about decisions made under that mechanism. As the new mechanism relates to other information that is only required in certain circumstances in charity accounts, it is not anticipated that the mechanism will be frequently used. Therefore, it is anticipated that the impact on SCTS will be nil or minimal.

Scottish Government
Tackling Child Poverty and Social Justice Directorate

November 2025