



**Scottish Housing  
Regulator**

# **Preparation of Financial Statements**

**Statutory Guidance**  
**February 2019**

# About us

We are the independent regulator of social landlords in Scotland.

## We safeguard and promote the interests of:

Around:

**600,000**

Tenants who live in homes provided by social landlords

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Over:

**123,000**

Home owners who receive services of social landlords

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Over:

**45,000**

People and their families who may be homeless and seek help from local authorities

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Around:

**2,000**

Gypsy/Travellers who can use official sites provided by social landlords

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## We regulate:

Around:



Social landlords

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Around:

**160**  
**32**

Registered social landlords

Local authorities

## Our equalities commitment

Promoting equalities and human rights is integral to all of our work. We set out how we will meet our equalities duties in our Equalities Statement.

## Our role:

To monitor, assess and report on social landlords' performance of housing activities and RSLs' financial wellbeing and standards of governance. We intervene, where we need to, to protect the interests of tenants and service users.

Our Regulatory Framework explains how we regulate social landlords. It is available from: [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk)



HAPPY TO TRANSLATE

# 1. Introduction

1. This guidance sets out the reporting requirements that registered social landlords (RSLs) must comply with when they prepare their financial statements. We use RSLs' financial statements to review and analyse performance, so consistent financial reporting within the social housing sector is essential.
2. In complying with this guidance, RSLs will meet the requirement to submit information in chapter 3 of the [Regulatory Framework](#).
3. This guidance note should be read in conjunction with our [notifiable events guidance](#) which gives details of financial notifiable events. When preparing financial statements, RSLs should consider whether there have been any notifiable events during the period under review and report any matters to us that have not already been drawn to our attention.
4. The governing body of an RSL is responsible for preparing its financial statements. It should be aware of changes in applicable accounting standards issued by the Financial Reporting Council, along with any Abstracts issued by the Financial Reporting Council, and must adjust its financial reporting accordingly.
5. If RSLs are in any doubt about financial reporting requirements, they should consult their auditor or take professional advice.

## Accounting Determination 2014

6. The Determination of Accounting Requirements issued by us under of Section 68(1) of the Act came into force on 1 January 2015 and applies to all RSLs with accounting periods starting on or after 1 January 2015.
7. All RSLs must prepare financial statements in accordance with the Determination for accounting periods that commence on or after 1 January 2015 and the Notes to the Financial Statements should include confirmation that they comply with the Determination.

## Statement of Recommended Practice (SORP 2014)

8. The Statement of Recommended Practice for RSLs ("SORP 2014") interprets UK Generally Accepted Accounting Practice ("UK GAAP") for registered social housing providers and incorporates changes that have occurred to Financial Reporting Standards and to other accounting practices since the last SORP update in 2010. It should be applied to accounting periods beginning on or after 1 January 2015. RSLs should discuss its implications with their auditors in deciding how to prepare their financial statements.
9. All RSLs except co-ownership societies must prepare financial statements in accordance with the 2014 SORP. There are no exemptions on the basis of size of organisation. For RSLs with charitable status, the 2014 SORP takes precedence over the Charities' SORP.
10. Notes to the Financial Statements must include confirmation that the statements comply with SORP 2014. The Notes should also cover any material departures from applicable accounting standards and the reasons for any such departure.

## **Statutory Instrument 2009 No. 2331 European Communities – The Financial Transparency (EC Directive) Regulations 2009 (the Regulations)**

11. The purpose of the Financial Transparency Directive (Commission Directive 2006/111/EC) is to enable the European Commission to ensure that public money being granted to public undertakings is being used to pay for providing public services and that there is no cross-subsidy of commercial activities, which may be illegal under European State Aid law. The Regulations give effect to the Directive in the UK.
12. The provisions of the Regulations, as at the date of enforcement, apply only to RSLs with an annual turnover €40 million or over. Annual turnover includes turnover from all activities, as well as publicly funded activities.
13. The Regulations require bodies (including not-for-profit ones) which are engaged in commercial activities and which receive public funding to provide a Service of General Economic Interest (“SGEI”), to ensure that their financial statements are sufficiently separate to distinguish between the publicly supported activities of the body and the purely commercial activities it undertakes which are unrelated to the SGEI.
14. The governing body of an RSL is responsible for reviewing the current scope of the Regulations. If RSLs are in any doubt about whether they must comply with the Regulations, they should consult their auditor. It is possible that as a consequence of the UK’s withdrawal from the EU, the Directive will no longer apply to the UK and that the Regulations will be repealed. In that event we will update this guidance as soon as reasonably practicable.

### **Going Concern**

15. As part of their audit, an RSL’s auditors will test going concern, and will report any issues in the RSL’s audited financial statements. However, the RSL’s governing body is still responsible for determining whether it is appropriate to adopt the going concern basis for preparing the financial statements.
16. In preparing the financial statements the RSL must make clear disclosures and document a thorough assessment of whether the RSL is a going concern. It also remains the responsibility of the RSL to notify us at an early stage if there are going concern issues within the RSL as detailed in our notifiable events guidance.

This guidance is issued by us under section 36 of the Act. It is intended to clarify what we expect from RSLs when discharging their duty under section 70 of the Act.



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