

Briefing

Section 106

Numbers of charities and sets of accounts in
2024/25



 **AUDIT SCOTLAND**

Prepared by Innovation & Quality for auditors in the local government sector
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OSCR
Scottish Charity Regulator

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Introduction

Purpose of briefing

1. This briefing from Innovation & Quality provides auditors with information on the numbers of charities falling within [section 106](#) of the Local Government (Scotland) Act 1973 (the 1973 Act) that were administered by councils in 2024/25. These are referred to as section 106 charities.
2. It also provides information on the number of related sets of accounts; these are lower than the number of charities as connected charities are permitted to prepare a single set of accounts.
3. The purpose of this briefing is to encourage a reduction in the number of sets of accounts that require to be audited.

Context

4. The appointments of auditors made by the Accounts Commission to councils include the audit of any trust funds or Common Good funds that both:
 - fall within section 106; and
 - are registered as charities with the Office of the Scottish Charity Regulator.
5. The charities are generally small and, if they did not fall within section 106, they would require an independent examination rather than a full ISA-compliant audit. The consequent audit is therefore relatively costly and disproportionate.
6. While there has been progress in reducing the number of section 106 charities over the last ten years, a significant number remain.

Consultation with Innovation & Quality

7. Auditors should consult with Innovation & Quality by completing the [enquiry form](#) and sending by email to TechnicalQueries@audit-scotland.gov.uk.

1. Application of section 106 to charities

8. A registered charity falls within the scope of section 106 where all the trustees are elected council members or council officers. The audit provisions of section 96 of the 1973 Act that apply to councils are extended to charities that fall within section 106.

9. The audit of the statement of accounts prepared by registered charities is regulated by The Charities Accounts (Scotland) Regulations 2006 (the charity regulations).

10. [Regulation 10](#) of the charity regulations requires an auditor's report to accompany a charity's statement of accounts where, among other reasons, any legislation requires an audit. As the joint application of sections 96 and 106 of the 1973 Act requires an audit of section 106 charities, appointed auditors are required to prepare an Independent Auditor's Report (IAR) for each section 106 charity's statement of accounts.

11. The preparation of an IAR necessitates the performance of audit procedures that fully comply with ISAs (UK) for the accounts of every section 106 charity. This is the case even when the amounts involved are below the de minimis level set out in Regulation 10 that would apply in the absence of a legislative requirement. This may involve a disproportionate amount of work being performed and hence increased audit fee for the administering council.

12. Audit Scotland continues to encourage councils to rationalise the number of section 106 charities they administer. While some councils have made good progress, for others the numbers remain high.

13. Following amendment of the Charities and Trustee Investment (Scotland) Act 2005, OSCR commenced registration of all charity trustees on 30 June 2025. Charities are encouraged to comply by registering trustee details through the OSCR Online digital portal.

14. Further amendment of the 2005 Act is expected to come into force in early 2026 (date to be confirmed). From that date OSCR will begin publishing the names (but not other trustee details) of charity trustees and unredacted charity accounts in full on the Scottish Charity Register. This will apply to all accounts received by OSCR on or after the date of commencement.

Auditor actions for 2025/26

15. Auditors should encourage councils to use this new requirement as an opportunity to:

- collect personal information (name, date of birth, residential address and other contact details) from each charity trustee and register the trustees with OSCR through the OSCR Online portal
- rationalise the number of section 106 charities they administer
- consider appointing an external trustee as this would remove the charity from the scope of section 106 (and the audit requirement for charities below the de minimis).

2. Number of charities

Number of section 106 charities in 2024/25

16. The guidance on planning 2025/26 audits advised that Innovation & Quality would provide information on the numbers of charities that councils administered in 2024/25. This information is provided in the [Appendix](#) to this briefing.

17. Overall, there has been limited progress in reducing the number of S106 charities and the associated sets of accounts. In summary:

- Nine councils do not administer any section 106 charities. An increase of one from 2023/24. Scottish Borders appointed external trustees to their charities, removing them from the scope of the section 106 requirements. In 2023/24 the council administered five charities and prepared a single set of accounts.
- Four councils have rationalised to a single charity ([table 1](#)) (the same number as in 2023/24).
- Aberdeenshire Council, City of Edinburgh Council and Highland Council made full use of the connected charities provisions in 2024/25 for the first time.
- Dundee City Council deregistered one S106 charitable trust from the Scottish Charity Register in 2024/25.
- South Lanarkshire Council made partial use of the connected charities provisions in 2024/25 for the first time reducing the number of sets of accounts it publishes from three to two.
- Councils continued to administer a total of 141 charities in 2024/25 (a net reduction of eight from 2023/24).
- Ten councils administered more than five section 106 charities each in 2024/25 (the same as in 2023/24).

18. OSCR offers guidance to councils seeking to reorganise their section 106 charities and has a regulatory interest in charities that are inactive as these may not be providing public benefit and may fail to meet the charity test.

Auditor actions for 2025/26

19. To reduce the number of section 106 charities in 2025/26, auditors should strongly encourage councils with multiple charities to:

- reorganise their charities through merging or winding them up, particularly when they appear to be failing to meet their charitable aims (eg, by not disbursing funds)
- consider appointing an external trustee as this would remove the charity from the scope of section 106 (and remove the audit requirement for charities below the de minimis).

3. Connected charities

Connected charities provisions

20. [Regulation 7](#) of the charity regulations (as [amended](#) in 2010) permits a single set of accounts for charities that meet the definition of being connected. Connected charities are defined at [Regulation 1](#) as charities that have 'common or related purposes, or charities which have common control or unity of administration'.

21. The definition of connected charities is met for any section 106 charity administered by the same council. This 'unity of administration' requirement is met even where the trustees differ.

22. Where a council administers multiple section 106 charities, the overall number of separate statements of accounts can therefore be reduced by the effective application of the connected charities provisions.

Use of connected charities provisions in 2024/25

23. [Table 2](#) in the appendix lists the 14 councils that made full use of the connected charities provisions in 2024/25. However, there are:

- four councils that made only partial use and therefore produced 16 sets of accounts between them ([table 3](#))
- one council that made no use of the provisions and produced 2 sets of accounts ([table 4](#)).

Auditor actions in 2025/26

24. Auditors should strongly encourage councils in tables 3 and 4 to make full use of the connected charities provisions in 2025/26.

Appendix

Number of section 106 charities 2024/25

Table 1: Single charity

4 Councils (the same as 2023/24)	
East Lothian	Renfrewshire*
Falkirk	Shetland*

Table 2: Multiple charities in single set of accounts (full use of connected charities provisions)

14 Councils (up from 12 in 2023/24)	Number of charities
Fife	43
Moray	8
North Ayrshire	8
Aberdeen City	7
Argyll and Bute	7*
City of Edinburgh	6
Perth and Kinross	6
Aberdeenshire	4*
South Ayrshire	4
West Dunbartonshire	4*
Angus	2
East Ayrshire Council	2
East Dunbartonshire	2**
Highland	2
Total	101

**Table 3: Multiple charities and multiple sets of accounts
(partial use of connected charities provisions)**

4 Councils (same as in 2023/24)	No of sets of accounts	No of charities
West Lothian	9	14
Dundee	3	6
South Lanarkshire	2	3
Stirling	2*	11*
Total	16 (down from 17 in 2023/24)	34 (down from 38 in 2023/24)

**Table 4: Multiple charities and multiple sets of accounts
(no use of connected charities provisions)**

1 Council (down from 4 in 2023/24)	No of sets of accounts and charities
North Lanarkshire	2
Total	2 (down from 10 in 2023/24)

Notes:

*Expected numbers as audited accounts not received by Audit Scotland at date of preparing briefing.

**Expected numbers as unaudited accounts not received by the auditor at date of preparing briefing.

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