



Fiona Warne
Charity Bill Accounts Regulations Consultation
Voluntary Issues Unit
Scottish Executive Development Department
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Dear Fiona,

I am writing in response to your consultation on the Charity Accounting Regulations. You will know from our discussions with the VIU during the process connected with the primary legislation that there are a number of aspects to the operation of students' associations that make them distinct from the rest of the sector. Some of these differences impact upon the way in which students' associations are accountable for their finances, and are therefore relevant to this consultation.

Context

Under existing legislation (Education Act 1994), there is a requirement on the governing bodies of universities and colleges (e.g. university courts, or boards of management) to ensure that there are proper financial arrangements in place at the students' union connected with the establishment. Consequentially, there is a duty upon a students' association to prepare accounts for its parent institution, being either a university or college.

In higher education, the accounts are normally prepared on an accruals basis and made subject to an annual independent audit. The audited accounts are then presented to the governing body of the institution. The students' association remains completely financially independent from the institution in accounting terms, but the financial reporting must be presented in a form prescribed by the institution, and may not be consistent with the charity SORP.

In some further education students' associations, the relationship is similar to that which normally exists in higher education, but it is more usual for the finances of the association to be under the direct control of the institution. In such circumstances, the students' association itself may be established as an independent body, but it will have no funds of its own; instead, the funds are set aside by the institution, which will authorise

expenditure on request by the students' association. This is often the case where the association is small, has little or no staff support, or is inactive, and thus the board of management could not guarantee appropriate financial arrangements without taking full control over those arrangements. It is important to note that in this situation, the 'accounts' of the students' association will be an integral part of the accounts of the parent institution (and will be indivisible from them).

We note that there is a pre-existing accounting relationship between institutions of higher and further education and the respective Funding Councils (which are shortly to be merged to form one body). They have an accounting SORP that is significantly different to the charity SORP, and we note that the Executive has recognised this in this consultation on accounting regulations, by proposing exemption for higher and further education institutions from following the SORP (though not from lodging copies of their accounts with the Regulator).

Recommendations for higher education students' associations

We recommend to the Executive that the regulations should reflect the accounting relationship that exists between a higher education students' association and its parent institution in the same way as it proposes to recognise the relationship between that institution and the Funding Council(s).

We therefore recommend that each students' association in the higher education sector should be exempt from preparing accounts in the form specified in the charity SORP, but should still be required to submit an annual report, enclosing a copy of the same audited accounts that were prepared for submission to the institution. This would ensure that all statutory bodies are receiving identical financial reports from Scottish students' associations, improving transparency, and would also reduce the administrative demands on those students' associations.

Recommendations for further education students' associations

The situation in the further education sector is more complex, since there is considerably greater variation in the financial methods of these students' association across the sector (as described above).

We recommend to the Executive that the accounting requirements on students' associations in the further education sector should be considerably relaxed. There would be no loss in scrutiny or transparency because further education colleges typically apply much more stringent procedural controls on the financial activity of each students' association, and because the institution itself will normally carry out the accounting function. The institution, of course, will continue to make reports to the Regulator, and the information that pertains to the students' association will be included in those reports.

We therefore recommend to the Executive that students' associations should be exempt from the requirement to prepare accounts and submit them to the Regulator, and also exempt from the requirement to submit an annual report. We would propose

that instead, the Regulator makes a public note of each students' association's connection with another charity on the register (i.e. the respective further education colleges), so that the necessary transparency and understanding can be maintained.

Conclusion

In conclusion, it is not our intention to oppose the overall aims of the proposals which we broadly support and welcome. We do, however, wish to ensure that the arrangements made for accounting and reporting are as appropriate for students' associations as for the rest of the sector.

Submitted by and on behalf of the Scottish Executive Committee
7 July 2005