



SFEU Financial Statements for the Year Ended 31 July 2008

Scottish Further Education Unit (SFEU) is part of the Scotland's Colleges brand
Registered Address - Argyll Court, Castle Business Park, Stirling, FK9 4TY
Company Limited by Guarantee - Registered in Scotland No: 143514 - Scottish Charity No: SC021876

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The Directors / trustees of the company during the year were:

Christina Potter (Chair)	Principal, Dundee College
Susan Bird (Vice Chair)	Principal, Cardonald College
Douglas Baillie	Senior Partner, Clydesdale Bank Plc
John Burt	Principal, Angus College
Anton Colella (resigned 27 August 2008)	Chief Executive and Secretary, The Institute of Chartered Accountants of Scotland
Margaret Munckton	Assistant Principal, Perth College
Sandra Newman	Self-employed – Financial Education Officer
Charlene O'Connor	Former Senior Director, Skills & Learning, Scottish Enterprise (until February 2008)
Janet Okten	Principal, Glasgow College of Nautical Studies
Carol Scott	Vice Principal, Motherwell College
Michael John Stone	Chief Executive, Learning and Skills Network
Shona Struthers (resigned 22 August 2007)	Consultant, Snowdon Consulting
Rob Wallen	Director of Learning and Teaching, Aberdeen College
Brian Lister (Ex officio)	Chief Executive, SFEU
Gayle Shotton	Company Secretary

No Directors held any shares in the company at any time during the year.

Committees of the Board of Management

The Board of Management has formally constituted several committees which act with delegated authority from the full Board. Information on the Board's committees is given below, together with details of membership during the year to 31 July 2008.

Key Committees

Finance Committee:	Margaret Munckton (Chair), Shona Struthers (Chair - resigned), Douglas Baillie, Sandra Newman, Brian Lister
Audit Committee:	Susan Bird (Chair), Anton Colella, John Stone, Rob Wallen
Personnel Committee:	Janet Okten (Chair), Charlene O'Connor, Carol Scott, Brian Lister
Remuneration Committee:	Christina Potter (Chair), John Burt, Brian Lister

Structure, Governance and Management

established to support this process and mitigate risks identified.
Internal control procedures are in place to minimise internal risks.

Objectives and Activities

The company's objects and principal activities are to promote the advancement of education in Scotland and more generally in the UK and international context by supporting organisations and institutions that provide education and training and lifelong learning opportunities.

The company aims to:

- Become established as the key development and change agency in realising the ambitions of Scotland's Colleges;
- Deliver a range of high quality services which promote and support changes in Scotland's Colleges leading to excellence in learning effectiveness;
- Deliver a range of high quality services which promote and support changes in Scotland's Colleges in college development; and
- Undertake continuous processes of organisational development in order to achieve our mission.

SFEU serves Scotland's Colleges which have a deserved reputation for dynamism in responding to required changes in their external environment. While essentially local providers, their response in meeting national policy demands and changing curriculum requirements is more coherent and more rapid because of the support work of SFEU among others.

The main objectives and activities for the year continued to be to function as a national specialist resource centre providing support in the form of training, consultancy, advice, research and development services to Scotland's colleges. Where it is appropriate in the interests of our members, SFEU extends its services to other providers in the lifelong learning landscape. SFEU hosts Equality Forward which is a service for both colleges and universities and this provides a breadth of experience of benefit to the organisation.

The strategies employed to achieve these objectives are agreed by the Board and progress is monitored by the Executive Team and reported quarterly. Activities underpinning these strategies include:

- A range of publications informing staff of practice in Scotland's Colleges. This includes the journal 'Broadcast' which has become a key source of information about the work of Scotland's Colleges.
- A web site about SFEU and the work of Scotland's Colleges which has over 9,000 unique visitors each month;
- A central conference and workshop programme which involved over 5,500 participants in 2007/08 with participation from all colleges in some aspect of our programme.
- A tailored workshop and consultancy service to individual colleges to complement our national programme;
- Specific professional development opportunities for college leaders and staff with specific functional responsibilities in colleges;
- A range of project-based activities related to national policy implementation where, for example, we support the college sector in its approaches to deal with young people requiring more choices, more chances with the overall aim of reducing the numbers disengaged from education or employment
- A range of project-based activities related to national curriculum initiatives where, for example, we work with other agencies in taking forward the Curriculum for Excellence reforms;
- Hosting Scotland's Colleges International designed to deliver services to support college expansion of international activity.
- Research activity designed to provide an evidence base for development activity related to the work of Scotland's Colleges;
- Improvements in internal ICT services to achieve gains in effectiveness and efficiency.

Achievements and Performance

financial year the planned surplus for 2008-09 has been reduced to take cognisance of the pending sector agency merger and only a small operating surplus is expected to be taken to reserves. The present level of reserves available at 31 July 2008 is £334k.

Plans for Future periods

The Board have approved future plans for the organisation. Broadly, they wish the organisation to move forward from its strong base and make a more significant impact on the work of its members.

There will be changes during 2008-09 in the support agency landscape for Scotland's Colleges. Plans are far advanced for the merger of existing support agencies. We look forward to new arrangements, confident that we will continue to develop our services in line with priorities and the changing policy landscape within which we operate.

Directors' Responsibility in Relation to the Financial Statements

Company law applicable requires the Directors of the company to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Acts. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the directors of the company, we certify that:

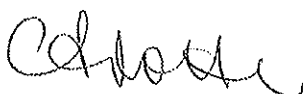
- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act, 1985, the auditors of the company will be appointed at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by charities (issued March 2005) and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

By order of the Board:



Christina Potter
Chair of the Board
22 October 2008

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES AND MEMBERS OF SCOTTISH FURTHER EDUCATION UNIT

This report is issued in respect of an audit carried out under section 235 of the Companies Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

We have audited the financial statements of Scottish Further Education Unit for the year ended 31 July 2008 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial statements have been prepared in accordance with accounting policies set out therein.

The report is made exclusively to the members, as a body, in accordance with section 235 of the Companies Act 1985, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are the directors of the charity for the purposes of company law) for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Regulations 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the information given in the Trustees' Annual Report is consistent with the financial statements, if the charity has not kept proper accounting records, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 July 2008; and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and

**Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2008**

	Notes	Unrestricted Funds	Restricted Funds	2008 £'000 Total Funds	2007 £'000 Total Funds
Incoming Resources					
From generated funds:					
Voluntary Income					
	3				
Sponsorship		27	–	27	27
Investment Income		22	–	22	34
Charitable activities					
Service Level Agreement Income	5	724	–	724	729
Contracts and support services	4	2,782	278	3,060	2984
Other incoming resources	4	112	–	112	111
Total Incoming Resources		3,667	278	3,945	3885
Resources Expended					
Charitable activities	6	3,653	278	3,931	3,672
Governance costs	6	90	–	90	111
Total Resource Expended		3,743	278	4,021	3,783
Net (outgoing)/incoming resources before transfers		(76)	–	(76)	102
Gross transfers between funds	18,19	33	(33)	–	–
Net (outgoing)/incoming resources before other recognised losses		(43)	(33)	(76)	102
Other recognised (losses)/gains					
(Loss)/gain on revaluation of Investments	13	(88)	–	(88)	11
Net (outgoing)/Incoming resources		(131)	(33)	(164)	113
Total Funds - Brought forward	18,19	465	33	498	385
Total Funds - Carried forward	18	334	–	334	498

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities.

Notes to the Accounts for the Year Ended 31 July 2008

1. Legal Status of SFEU

The Scottish Further Education Unit is a company limited by guarantee in terms of the Companies Act 1985. The liability of each member is limited to the sum of £1. There are 43 guarantee shares held by 43 of the further education colleges in Scotland.

2. Accounting Policies

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the requirements of the Statement of Recommended Practice -Accounting and Reporting by Charities (SORP 2005), the Companies Act 1985 and applicable accounting standards.

The Board is of the view that it would be reasonable to assume that SFEU will continue to operate for the foreseeable future and, accordingly, the accounts have been prepared on the going concern basis.

(b) Fund Accounting

All of SFEU's funds are classified as unrestricted with the exception of ESF funds which are classed as restricted.

- Unrestricted funds are available for use at the discretion of the Board of Directors in furtherance of the general objectives of SFEU
- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.
- Restricted funds are subjected to restrictions on their expenditure imposed by the Funder.

(c) Incoming Resources

All incoming resources are included in the statement of financial activities when SFEU is entitled to the income and the amount can be quantified with reasonable accuracy.

- Service Level Agreement (SLA) and investment income are credited to income in the year in which they are received.
- Grants for capital expenditure are recognised as income on receipt and carried forward as a designated or a restricted fund which future expenditure is charged against.
- Incoming resources from charitable trading activities are accounted for when earned.
- Incoming resources from grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.

(d) Resources expended

Resources expended are included in the Statement of Financial Activities (SOFA) on an accruals basis and are recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the SOFA and includes any VAT which cannot be recovered.

- Costs of generating funds comprise the costs associated with attracting voluntary income
- Charitable expenditure comprises those costs incurred by SFEU in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of SFEU and include costs linked with strategic management.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

(e) Fixed Assets

Fixed assets are shown in the balance sheet at cost, less amounts written off by way of depreciation. Tangible fixed assets are capitalised at any value dependant on the nature of the acquisition along with any incidental expenses of the acquisition.

5. Grants received

	2008 £'000	2007 £'000
Service Level Agreement with SFC	700	700
Additional grant to cover Professional Indemnity and Insurance	15	15
Contribution towards STSS payments	9	14
Total	724	729

6. Total Resources expended

	Basis of allocation £'000	Service Level Agree, £'000	Projects, Consultancy Training and Facilitation £'000	Project Partner Funds £'000	Equality Forward £'000	Other Incoming Resource £'000	Governance £'000	2008 Total £'000	2007 Total £'000
Costs directly allocated to activities									
Staffing costs	Direct	124	2,028		340	3	67	2,562	2304
Project specific costs	Direct	31	450		68		6	555	516
Project Partner Funds	Direct			287				287	366
Legal and professional fees	Direct		19					19	18
Board meeting costs	Direct						5	5	9
Support costs allocated to activities									
Finance and Corporate Services	Usage		156		31	8		195	175
Strategy, Marketing and Business Development	Usage		227		45	11		283	239
Legal & Professional	Usage		26		5	1		32	75
Audit Fees	Direct						12	12	12
Depreciation	Usage		57		11	3		71	69
Total Resources Expended		156	2,963	287	500	26	90	4,021	3,783

7. Board Remuneration

The emoluments of the Chief Executive are disclosed in Note 9. No other member of the Board either received or waived any emoluments during the year (2007: £ nil).

Out of pocket expenses reimbursed to Board members were as follows:

	2008 No.	2007 No.	2008 £'000	2007 £'000
Travel	8	4	1	1

11. Fixed assets

	Computer Equipment	Office Furniture	Tenant's Improvements	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2008	248	272	137	657
Additions	46	-	-	46
Disposals	(13)	-	-	(13)
At 31 July 2008	281	272	137	690
Accumulated depreciation				
At 1 August 2007	209	203	93	505
Charge for year	41	21	8	70
Disposals	(13)	-	-	(13)
At 31 July 2008	237	224	101	562
Net book value	44	48	36	128

12. Debtors

	2008 £'000	2007 £'000
Trade debtors	420	418
Prepayments and accrued income	298	185
Total	718	603

13. Investments

	2008 £'000	2007 £'000
Medium term bonds at market value:		
At 1 August 2007	755	244
Invested in Year	-	550
Dividends re-invested	4	2
Disposed in Year	(227)	(52)
Unrealised (loss)/gain on Investment	(56)	11
Realised loss on investment	(32)	
Market value at 31 July 2008	444	755

Since the year end, the stock market has continued to be extremely volatile and as a consequence the market value of our investments has declined since 31 July 2008. There are plans under consideration to sell these investments in the short term which may result in the disclosed market value of these investments not being recovered.

14. Creditors

	2008 £'000	2007 £'000
Trade creditors	116	194
Taxes and social security costs	42	46
Accruals and other creditors	373	258
Deferred income	644	702
Total	1,175	1,200

Strathclyde Pension Fund Office (SPF)

The SPF is a funded defined benefit scheme where the assets are held in a separate, trustee-administered fund. Previously open to all staff, the scheme closed to existing administrative and technical staff on 1 November 2003 and to new administrative and technical staff from 1 August 2003. The main results and assumptions of the most recent valuation are as follows:

Valuation date	31 March 2005
Valuation method	Projected Unit
Market value of assets	£7,005 million
Net deficit	£230 million
Actuarial assumptions	
- discount rate	6.3%
- salary increase rate	4.4%
- pension increase rate	2.5%
- rate of inflation	2.5%

Actuarial valuations determine the level of employer contribution to the scheme and are as follows:

From 1 April 2007	16.2%
From 1 April 2008	16.8%
From 1 April 2009	17.7%

Employees' contribution to the scheme remained at 6% of salary.

It is not possible to identify SFEU's share of the underlying assets and liabilities on a consistent and reliable basis and therefore the scheme is accounted for on a defined contribution basis as permitted by FRS 17.

The Scottish Equitable Scheme

The Scottish equitable scheme is a defined contribution scheme, open to all staff. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year and are based upon a fixed percentage of employee salary aligned to salary band.

The University Superannuation Scheme (USS)

If staff joining SFEU are currently members of the USS they may opt to remain a member of the scheme. The USS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension. The assets of the scheme are held in a separate, trustee-administered fund. The main results and assumptions of the most recent valuation are as follows:

Valuation date	31 March 2005
Valuation method	Projected Unit
Valuation of notional assets	£21,740 million
Net deficit	£6,568 million
Investment return - past service	4.5%
- future service	6.2%
Salary scale increases per annum	3.9%
Pension increases per annum	2.9%

Actuarial valuations determine the level of employer contribution to the scheme and the rate of contribution remained at 14% of salary throughout the year.

It is not possible to identify SFEU's share of the underlying assets and liabilities and hence contributions to the scheme are accounted for as if it were a defined contribution scheme.

