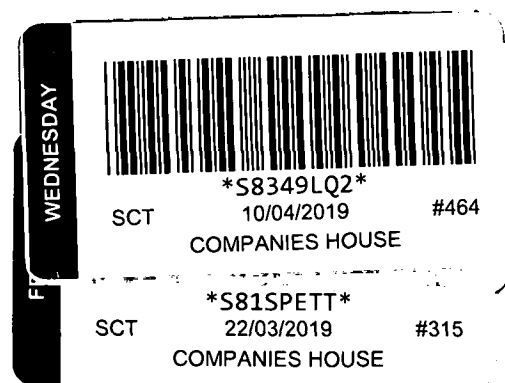


College Development Network

Financial Statements for the Year Ended 31 July 2018

Charity Number: SC021876
Company Number: SC143514



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Report of the Directors

The Directors present their report and audited financial statements for the year ended 31 July 2018.

Objectives and Activities

College Development Network (CDN) supports and promotes the learning community in the college sector to contribute to the social and economic wellbeing of Scotland. We do this by leading, influencing and enabling change and improvement across Scotland's college sector and beyond. We develop and support the college sector through the professional development of their people, resources and approaches to learning. CDN also has a key role in translating Scottish Government policy drivers into practical actions for colleges.

CDN's charitable objective and principal activity continues 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 CDN Board has an established series of sub-committees to improve our governance, including the Development Committee, the Innovation Committee, the Audit Committee and the HR Committee. These committees convened meetings through 2017-18 which have been well attended and proactive in terms of discussion and outputs.

2017-18 saw the first year of delivery against the Outcome Agreement with the SFC, through implementation of CDN's Operational Plan, which aligns directly with the CDN Strategic Plan 2017-20.

The key strategic themes are clustered around three pillars. These are as follows:

1. For the Learning Workforce

- A review of the professional standards for lecturers;
- A digital learning platform to match and track CPD against the Standards;
- A national college Expo event for training and showcasing college innovation;
- Digital Skills Roadshows.

2. For Strategic Leaders

- Training and development for board members;
- Executive leadership programme for principals;
- Emerging leadership programme.

3. For the Skills Sector

- Developing an online College 'Innovation Hub';
- Supporting key growth areas, Food & Drink, and Health & Social Care;
- Supporting our Development Networks and sector partnerships;
- Celebrating success through the CDN College Awards and the CDN Quick magazine.

Achievements and Performance

Key Outcomes 2017-18

1. For the Learning Workforce

- 4,269 delegates attended a total of 203 CDN events and meetings during the year. Key event highlights included:
 - School-College Conference: Raising Attainment through Partnerships. Opened by Minister for Training and Employability and Training, Jamie Hepburn MSP, the conference focused on four themes: senior phase pathways; STEM; career advice and guidance; and equalities.
 - Open Up Your World with Erasmus+: A national conference highlighting the opportunities offered to students and college staff through Erasmus+.
 - CDN College Expo18: The first year of this landmark two-day event for the college sector attracted 600 individual visitors, with 859 registered across the two days. Two Ministers attended the conference on the first day and delegates engaged with inspirational keynotes, debate and interactive learning both inside and outdoors.

Report of the Directors (continued)

Achievements and Performance (continued)

- A robust consultation and review of the Professional Standards was undertaken – including an online survey which received 1,600 responses; 17 focus groups; 13 in-depth interviews. This informed the draft version of the refreshed Professional Standards, which was issued to the Steering Group for final consultation.

2. For Strategic Leaders

- Board Development
 - 85% of all college Board Members have registered on the dedicated online Board Hub, hosted by CDN LearnOnline.
 - 216 delegates participated in induction and board development activities throughout the year
 - A highly successful and well attended Board Members' Conference took place in May and received a Ministerial address.
 - A new online module for Audit Committee members was launched
- Executive Leadership Programme
 - Two college Principals participated in a partnership with the Education and Training Foundation (ETF) to pilot a UK-wide Further Education Strategic Leadership Programme, delivered by Saïd Business School, University of Oxford.
 - CDN worked in partnership with Colleges Scotland to host the UK Four Nations Leadership Forum in Edinburgh. Dinner was hosted at Edinburgh College and Ministerial attendance.
 - A research project to explore the needs of Next Generation Leadership for the college sector was completed and a research report of the findings has been produced.
- Emerging College Leaders' Programme
 - 17 developing managers were trained at Chartered Management Institute (CMI) Level 8, 14 completed Level 11.
 - Bespoke leadership development training was delivered to West College Scotland for 30 middle and senior managers.

3. For the Skills Sector

- Key Sector Partnerships
 - Delivery of Food and Drink Careers Expo: Attracting around 400 delegates and with more than 25 interactive exhibitors and lively keynotes, this event offered a journey from farm and sea to fork, highlighting the varied career opportunities – including STEM – within the food and drink sector.
 - Staff secondment (part time) from Food and Drink Federation Scotland concluded in late-June. Future partnership between SFDF, SDS & CDN will be project based and relate to SIP – discussions are ongoing.
 - A range of collaborative workshops and events took place within the context of Health and Social Care activity.
- Development Networks Service
 - CDN supported 23 active Development Networks, delivering on key strategic priorities.
 - An internal review process commenced with all staff around the number and nature of Development Networks.
 - A Development Network report for 2017/18 has been produced.

4. College Awards and CDN Communications

- College Awards

The re-branded 2017 College Awards resulted in a larger and more attractively presented than ever, with a strong eye-catching look and feel that lends a consistent identity for future awards.

Report of the Directors (continued)

Achievements and Performance (continued)

- Launch of Reach magazine
CDN launched a new sector publication in January, 'Reach' magazine. The first edition featured a range of sector success stories and was used as a platform to disseminate good practice exemplified through College Awards winners. Reach was distributed in multiple copies to all colleges and stakeholder organisations. In addition, an electronic version was disseminated across the sector, with the assistance of in-college marketing teams.

Financial Review

In the first quarter of 2017-18 the Board agreed to undertake a strategic efficiency project with a view to significantly reducing costs in the organisation. This included a variation of the lease at Argyll Court with the organisation moving to a much more cost effective location in Airthrey Castle at the University of Stirling together with a staff restructuring programme. As a result, cost savings going forwards will be significant. However, in 2017-18 the costs associated with implementing these cost-saving initiatives have been incurred and are reflected in the year-end figures. To this end, a planned operational loss of £725k was incurred during 2017-18. Net pension liabilities under FRS 102 section 28 became assets, decreasing by £1,172k at the year-end, which when recognised in the SOFA with a holiday pay accrual reduction of £2k under FRS102, resulted in an overall statutory surplus for the organisation of £449k for the year to 31 July 2018.

Income for the year was £1.8M. Of this, the Scottish Funding Council (SFC) provided a core grant of £1.34M and additional project funding under a separate letter of grant of £55k, taking the total SFC funding to 77% of total income for the year. SFC funding therefore continues to remain the main source of funding for the organisation.

Spend for the year, before statutory adjustments and including the Innovation and Resilience Fund, totalled £2.53M of which around 63% was in respect of total staffing costs and includes voluntary severance payments. Spend against the Innovation and Resilience Fund totalled £10k during the year and related to the write off of tenants improvements at Argyll Court. This fund has now been closed and the remaining balance transferred to general reserves.

Turnover expected for 2018-19 is £1.95M with a planned operational surplus of £29k reflecting the cost saving initiatives made during 2017-18. The Board of Directors therefore consider that the College Development Network continues to be a going concern and supports the planned budget for 2018-19 on this basis.

Principal Funding Sources

College Development Network received a cut of £200k to the core funding from the SFC in 2017-18 reducing the core grant to £1.34M. The core grant was used to contribute to the operational running of the organisation and to deliver agreed project activities in line with sector need. The SFC also provided £55k of additional funding to support other project activities.

Other principal sources of funding were derived through project management and delivery, the funding for which is bid for on a competitive basis through for example, the Scottish Government and colleges as well as a number of other miscellaneous funders. This is supplemented by the facilitation and co-ordination of development networks and through the delivery of events.

Investment Policy

Under the Memorandum and Articles of Association, College Development Network has the power to invest in any way the directors think fit. Having regard to the operational liquidity requirements of College Development Network, the directors operate a policy of keeping funds required in the short to medium term in interest bearing deposit accounts whilst funds not so required are invested in higher interest bank accounts with average returns in excess of the Bank of England base rate. In all cases risk is minimised to ensure that capital sums invested are not affected by market fluctuations. Treasury management is reviewed informally on at least a monthly basis and formally on a quarterly basis by the Board.

Report of the Directors (continued)

Investment Policy (continued)

College Development Network's investment criteria is set out in a treasury management policy approved by the Board of Directors which adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Codes of Practice (the code), as described in section four of that code.

Reserves Policy

The Board of Directors have established a policy to build unrestricted funds to a level sufficient to cover any unexpected liabilities which cannot be met out of operational income in the year. The level of reserves has therefore been set giving cognisance to the main risks and potential liabilities faced by College Development Network. This lends a degree of financial stability to the business in the event that income sources are lost or reduced ensuring continuity of service provision.

For 2017-18 the main risks and potential liabilities faced are as set out in the risk management section of this report together with fluctuations in pension liabilities arising under FRS102 - section 28. The strategy is therefore to maintain reserves at an appropriate level sufficient to cover any potential liabilities arising.

The Innovation & Resilience Fund created in 2009-10 and used to contribute to both the delivery of strategic priorities and to create some financial 'headroom' to support any unexpected key sector issues has been closed and the balance transferred to general reserves.

The reserves position as at 31 July 2018 is a net asset of £432k (2017: £17k net liability).

Plans for Future periods

We have agreed a refreshed strategic framework with our funders for 2017-2020 clustered around three pillars. These are as follows:

1. For the Learning Workforce

- A review of the professional standards for lecturers;
- A digital learning platform to match and track CPD against the Standards;
- A national college Expo event for training and showcasing college innovation;
- Digital Skills Roadshows.

2. For Strategic Leaders

- Training and development for board members;
- Executive leadership programme for principals;
- Emerging leadership programme.

3. For the Skills Sector

- a. Developing an online College 'Innovation Hub';
- b. Supporting key growth areas, Food & Drink, and Health & Social Care;
- c. Supporting our Development Networks and sector partnerships;
- d. Celebrating success through the CDN College Awards and the CDN Quick magazine.

Structure, Governance and Management

Governing Document

CDN is a charitable company limited by guarantee. Its objects and powers are set out in its Memorandum and Articles of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £1. CDN is owned by the Regional Colleges and Regional Strategic Bodies in Scotland.

In addition to its Memorandum and Articles of Association, CDN is party to a Financial Memorandum with the Scottish Funding Council (SFC). This Memorandum is therefore taken into consideration when preparing both the Directors' Report and Financial Statements for the financial year.

Report of the Directors (continued)

Recruitment and Appointment of the Board of Directors

The Board of Directors are also charity trustees for the purposes of charity law.

The Board consists of a maximum of eight Board members and a minimum of four; two senior managers (or equivalent) from a college member, up to two regional chairs, the Chief Executive and up to three members appointed through a selection process with the appropriate balance of skills and experience required to contribute to the Board.

The Board of Directors are elected to serve for a period of not more than four years after which they may be re-appointed for a further four years provided that no member holds office for more than eight years in aggregate.

Director Induction and Training

New directors are provided with induction training and an electronic induction pack briefing them on; their legal obligations, their duties as Board Members and the main documents which set out the operational framework for College Development Network; including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives. Board members are also given opportunities to meet staff and are encouraged to attend training events where these will facilitate the undertaking of their role.

Professional Indemnity and Directors' and Officers' Liability insurance is now included within a 'Combined Liability Insurance' together with Entity Defence.

Organisation

A Board of Directors of up to 8 members, including the Chief Executive, meet quarterly to administer the company. Audit, HR, Innovation and Development Committees have been formally constituted with terms of reference approved by the Board. All other business is handled through the main Board. A Corporate Governance Code is also in place.

The Chief Executive is appointed by the Board of Directors to manage the day-to-day operations of the company. To facilitate effective operations, the Chief Executive has delegated authority, as set out in the Corporate Governance Code approved by the Board, for day to day operations including developing and implementing strategy, reviewing operational performance and allocating and controlling resources within approved budget.

Pay Policy for Senior Staff

The Directors consider that the Directors and the Senior Management Team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the organisation on a day to day basis. No Director received any remuneration in the year with the exception of the Chief Executive in accordance with the memorandum and Articles of Association. Details of Directors expenses are disclosed in note 7 to the financial statements. Details of the remuneration of the Chief Executive are included in note 8.

The pay of senior staff is reviewed annually and normally increased in line with the annual award agreed for all staff within the organisation.

Related Parties

All Regional Colleges and Regional Strategic Bodies in Scotland are members of College Development Network. Four of these members also have employees or appointed Regional Chairs who served on the College Development Network Board of Management during the year.

Report of the Directors (continued)

Related Parties (continued)

All transactions involving organisations in which a member of the board may have an interest are conducted at arm's length and in accordance with the organisation's financial regulations. Board members are not permitted to participate in discussions, decisions or transactions involving their related business.

Risk Management

A review of the major strategic, business and operational risks to which College Development Network is exposed is conducted on at least a quarterly basis and reported to the Board. There is a standing agenda item in relation to risk and regulatory updates at all Board meetings. Risk management policy and procedures are in place to support the risk management process and mitigate risks identified and internal control procedures are in place to minimise internal risks.

The key risks faced by College Development Network during the year were in relation to:

- potential funding uncertainty affecting the sustainability of College Development Network;
- income targets, out with the SFC core grant, are not met as opportunities for securing additional income shrink;

We have sought to mitigate these risks by on-going discussions with SFC and having a business development plan in place.

Reference and Administrative Information

Company Number:	SC143514
Registered Charity Number:	SC021876
Registered Office:	Airthrey Castle Hermitage Road University of Stirling Stirling FK9 4LA
External Auditor:	Henderson Loggie The Vision Building 20 Greenmarket Dundee, DD1 4QB
Solicitors:	Anderson Strathern George House 50 George Square Glasgow G2 1EH
Bankers:	Bank of Scotland plc 1 Munro Road Springkerse Stirling FK7 7SY

Report of the Directors (continued)

Directors

The Directors of the company during the year were:

Paul Houlden (Chair)

Willie Mackie (Vice Chair)

Regional Chair, Ayrshire College

Stephanie Graham

Vice-Principal, West College Scotland

Annette Bruton
(Resigned 31.8.18)

Principal, Edinburgh College

Gillian Croan

Director, Verus HR Ltd

Siobhan Jordan

Director, Interface

Brian Johnstone

Regional Chair, Dumfries & Galloway College

James Metcalfe

Chief Executive

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

Gayle Watson

Company Secretary

Report of the Directors (continued)

Committees of the Board of Management

The Board operated throughout the year with four formally constituted committees acting with delegated authority from the full Board. Information on the Board's committees is given below, together with details of membership:

Audit Committee	Willie Mackie (Chair), Pete Smith, Gillian Croan, Brian Johnstone.
Development Committee	Stephanie Graham (Chair), Brian Johnstone plus co-opted Regional Representatives from Regional Colleges/Strategic Bodies, NUS and SPARQS.
HR Committee	Gillian Croan (Chair), Willie Mackie, Stephanie Graham.
Innovation Committee	Siobhan Jordan (Chair), James Metcalfe, Anette Bruton plus four co-opted members, two of which also sit on the Development Committee.

All other Board business is handled through the main Board which meets at least quarterly.

In August 2018 the Board formally re-constituted the Development and Innovation Committees into forums. These forums will be chaired by a Board member to ensure feedback into the Board as appropriate but will no longer be formal Board Committees.

Statement as to disclosure of information to Auditor

In so far as the directors are aware:

- there is no relevant information of which the charitable company's auditor is unaware; and
- the directors themselves have taken all the steps that they ought to have in order to make the directors themselves aware of any relevant audit information, and to establish that the charitable company's auditor is aware of the information.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by charities (FRS102) and in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006.

By order of the Board:



Paul Houlden
Chair of the Board

Date: 5/12/18

Directors' Responsibilities in Relation to the Financial Statements

The directors, who are also trustees for the purpose of charity law, are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the charitable company's website. Legislation in the United Kingdom governing the preparation as dissemination of financial statement may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Directors and Members of College Development Network

Opinion

We have audited the financial statements of College Development Network (the 'charitable company') for the period ended 31 July 2018 which comprise the statement of financial activities (including income & expenditure account), the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Directors and Members of College Development Network (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report, which includes the Trustees' Report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report which includes the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors (who are also the trustees of the charitable company for the purposes of charitable law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Directors and Members of College Development Network (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's directors, 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 (as amended). Our audit work has been undertaken so that we might state to the members and the charitable company's directors 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 charitable company, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.



Sheena Gibson

(Senior statutory Auditor)

For and on behalf of Henderson Loggie

Chartered Accountants & Statutory Auditors

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Dundee

5 December 2018

**Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2018**

		2018 £'000	2017 £'000
	Notes	Total Unrestricted Funds	Total Unrestricted Funds
Income and endowments from:			
Donations and legacies	3	43	26
Charitable activities	4	1,770	2,157
Investments		-	5
Total		1,813	2,188
Expenditure on:			
Charitable activities	5	2,689	2,288
Total		2,689	2,288
Net expenditure		(876)	(100)
Other recognised losses:			
Gain on defined benefit pension scheme	19	1,325	90
Net movement in funds		449	(10)
Reconciliation of funds:			
Total funds brought forward		(17)	(7)
Total funds carried forward	20	432	(17)

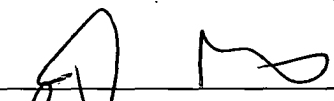
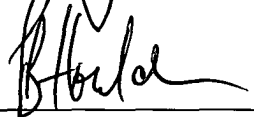
The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities in the above two periods.

Balance Sheet as at 31 July 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	10	33	42
Current assets			
Debtors	11	38	138
Cash at bank and in hand	12	521	1,212
Total current assets		559	1,350
Liabilities			
Creditors: Amounts falling due within one year	13	(202)	(246)
Net current assets		357	1,104
Total assets less current liabilities		390	1,146
Creditors: Amounts falling due after more than one year	15	(79)	(84)
Provisions	16	(7)	(31)
Net assets excluding pension asset/(liability)		304	1,031
Pension asset/(liability)	19	128	(1,048)
Total Net assets/(liabilities)/		432	(17)
The funds of the charity:			
Unrestricted funds:			
General funds	20	304	952
Designated funds:			
Pension asset/(liability)	20	128	(1,048)
Innovation & resilience reserve	20	-	79
		432	(17)
Total charity funds		432	(17)

These financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006.

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

JIM METCALFE, Chief Executive
PAUL HOULDEN, Director

5 December 2018
 Date

The notes on pages 17 to 29 form part of these financial statements.

Statement of Cash Flows for the year ended 31 July 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities:			
Net cash (used)/provided by operating activities	21	(653)	13
Cash flows from investing activities			
Interest received		-	5
Purchase of property, plant and equipment		(38)	(33)
Cash used by investing activities		(38)	(28)
Change in cash and cash equivalents in the year		(691)	(15)
Cash and cash equivalents at the beginning of the year		1,212	1,227
Cash and cash equivalents at the end of the year	12	521	1,212

Notes to the Financial Statements

1. Accounting Policies

(a) General Information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the charitable company drawn up for the year ended 31 July 2018.

The continuing activities of College Development Network is 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.

College Development Network is a charitable company limited by guarantee and is incorporated in Scotland. The charitable company's registered charity number is SC021876 and its registered company number is SC143514.

The address of the charitable company's registered office is Airthrey Castle, Hermitage Road, University of Stirling, Stirling, FK9 4LA.

(b) Basis of accounting

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended).

College Development Network meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transition value unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Directors to exercise their judgements in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(c) Going concern

The Board is of the view that it would be reasonable to assume that College Development Network will continue to operate for the foreseeable future based on the agreed budget for 2018-19 and the letter of grant for 2018-19 from the SFC and, accordingly, the financial statements have been prepared on the going concern basis.

(d) Fund accounting

All funds are classified as unrestricted.

- Unrestricted funds are available for use at the discretion of the Board of Directors in furtherance of the general objectives of the company.
- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.
- Transfers from designated funds are made when the designated fund is no longer required.

Notes to the Financial Statements (continued)

(e) Income

Income is included in the Statement of Financial Activities when the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured.

- Service Level Agreement (SLA) income is credited to income in the year in which the charity is entitled to the income, receipt is probable and the amount can be reliably measured.
- Grants and donations are recognised when the charity is entitled to the income, receipt is probable and the amount can be measured reliably. Where there are terms or performance related conditions attached, income is recognised to the extent that the conditions have been met. Income received in advance of conditions being met are deferred and released once those conditions are met. Where the grant or donation allows for the recovery by the donor of any unexpended grant, a liability is recognised when repayment becomes probable.
- Investment income. Interest is recognised using the effective interest rate applicable to the asset.

(f) Expenditure

Expenditure is 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. Where possible, expenditure is allocated directly to the function to which it relates including VAT where it is non-recoverable. Where this is not possible, it is allocated on the basis of time spent by staff on that activity.

- Charitable expenditure comprises those costs incurred by College Development Network 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 College Development Network 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.
- Redundancy payments are included within the financial statements during the year in which the employment contract ceased.

(g) Operating leases

Rentals payable under operating leases are charged to expenditure on a straight line basis over the term of the lease.

(h) Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Tangible fixed assets are capitalised for non-project items at £1,000 dependent on the nature of the acquisition along with any incidental expenses of the acquisition.

(i) Depreciation

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Computer equipment	33.3%
Office furniture	20.0%
Tenant's improvements	6.7%

A full year's depreciation charge is made in the year of asset acquisition.

(j) Taxation

The company is exempt from taxation in respect of income or capital gains received within categories covered under section 466 to 493 of Corporation Tax Act 2010 to the extent that such income or gains are applied to exclusively charitable purposes.

Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to the income and expenditure account in the year in which it is incurred.

Notes to the Financial Statements (continued)

(k) Debtors

Trade debtors are amounts due in relation to contract and support services rendered. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoiced amount, less any allowance for doubtful debts.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks which are readily convertible, being those with maturities of three months or fewer from inception.

(m) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

(n) Financial assets and liabilities

Financial instruments are recognised in the statement of financial position when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

(o) Pensions

Retirement benefits to the employees of College Development Network are provided by the Scottish Teachers' Pension Scheme (STSS) and the Strathclyde Pension Fund (SPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Financial Activities. All costs related to the defined benefit plan are recognised in the Statement of Financial Activities within employee benefit costs.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting is limited to the present value of available refunds or reductions in future contributions to the plan. The contributions are determined by qualified actuaries on the basis of valuations every five years for STSS using the Prospective Benefit method and every three years for SPF using the Projected Unit method. Liability for benefits is a charge on the STSS or SPF.

College Development Network also participates in a defined contribution scheme with Scottish Equitable. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year.

Notes to the Financial Statements (continued)

2. Critical judgements and estimates

In preparing the financial statements Directors make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

3. Donations and legacies

	2018 £'000	2017 £'000
	Unrestricted	Unrestricted
Sponsorship	43	26
Total	43	26

4. Charitable activities

	2018 £'000	2017 £'000
	Unrestricted	Unrestricted
Projects, Consultancy, Training, Facilitation, Sub-tenant income	290 136	315 298
Total Contracts and Support Services	426	613
Service Level Agreement with SFC	1,344	1,544
Total Grants Received	1,344	1,544
Total	1,770	2,157

5. Expenditure on charitable activities

	Projects, consultancy training and facilitation £'000	Sub- tenant support £'000	Other support costs £'000	2018 Total £'000	2017 Total £'000
Staffing costs	749	49	706	1,504	1,389
Project specific costs	418	-	-	418	337
Support costs (see note 6)	-	87	653	740	537
Governance costs (see note 6)	-	-	27	27	25
Total	1,167	136	1,386	2,689	2,288

Notes to the Financial Statements (continued)

6. Analysis of support and governance costs

	Basis of allocation	Support costs £'000	Governance £'000	2018 Total £'000	2017 Total £'000
Board meeting costs	Direct	-	-	-	1
Staffing costs	Time	-	21	21	19
Audit fees	Direct	-	6	6	5
Overheads	Headcount	740	-	740	537
Total		740	27	767	562

7. Board remuneration

The emoluments of the Chief Executive are disclosed in note 8. No other member of the Board either received or waived any emoluments during the year (2017: £nil).

Out of pocket expenses consisted of reimbursed travel and subsistence costs to Board members and were as follows:

	2018 No. of board members	2017 No. of board members	2018 £'000	2018 £'000
Travel	2	4	4	6

8. Staff Costs

	2018 £'000	2017 £'000
Core Staff		
Wages and salaries	1,092	1,036
Social security costs	101	106
Other pension costs	213	161
FRS 102 defined benefit adjustments	119	106
Short-term and temporary staff		
Consultants	188	156
Agency staffing	-	38
Total	1,713	1,603

The average monthly headcount was 26 staff (2017: 35).

During the year, termination payments amounted to £294,097.

Notes to the Financial Statements (continued)

The number of staff including the Chief Executive and senior post-holders who received emoluments within the following ranges was:

	2018	2017
£70,000 - £79,999	-	1
£80,000 - £89,999	1	-
£100,000 - £109,999	1	-
	2	1

The emoluments of key management, including the Chief Executive, are made up as follows:

	2018 £'000	2017 £'000
Wages and salaries	238	177
Benefits in kind	3	3
Social security costs	26	22
Other pension costs	38	34
Total Emoluments	305	236

The above emoluments include amounts payable in the year (2017: 7 month period) to the Chief Executive, James Metcalfe, who is also a Director for the purposes of charity law of £80,937 (2017: £46,060). Contributions to pension schemes on behalf of the Chief Executive were £15,440 (2017: £8,890). The Chief Executive also received benefits in kind of £937 (2017: £649)

As authorised by the charitable company's Articles of Association, the above noted remuneration to James Metcalfe is for his role in the day to day running of the charitable company.

9. Net income for the year

	2018 £'000	2017 £'000
This is stated after charging:		
Depreciation	47	37
External Auditor's remuneration		
- Audit	6	5
- Non-audit	-	2
Operating Leases – Rent	78	151
Operating Leases – Dilapidation costs on variation of existing lease	320	-
	451	195

Notes to the Financial Statements (continued)

10. Fixed assets

	Computer Equipment £'000	Office Furniture £'000	Tenant's Improvements £'000	Total £'000
Cost				
At 1 August 2017	403	296	157	856
Additions	19	19	-	38
Disposals	(84)	(58)	(157)	(299)
At 31 July 2018	338	257	-	595
Accumulated depreciation				
At 1 August 2017	383	284	147	814
Charge for year	25	12	10	47
Eliminated on disposal	(84)	(58)	(157)	(299)
At 31 July 2018	324	238	-	562
Net book value 31 July 2018	14	19	-	33
Net book value 31 July 2017	20	12	10	42

11. Debtors

	2018 £'000	2017 £'000
Trade debtors	21	86
Prepayments and accrued income	17	52
Total	38	138

12. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	521	1,212
Total	521	1,212

13. Creditors

	2018 £'000	2017 £'000
Trade creditors	73	43
Taxes and social security costs	-	27
Accruals and other creditors	70	114
Deferred income	59	62
Total	202	246

Notes to the Financial Statements (continued)

14. Deferred income

	2018 £'000	2017 £'000
Deferred income at 1 August 2017	62	27
Performance related grant income earned	(1,547)	(1,705)
Performance related grant income deferred	1,544	1,740
Deferred income at 31 July 2018	59	62

Deferred income relates to grant income for which the recognition criteria will be met in the next year.

15. Creditors due after more than one year

	2018 £'000	2017 £'000
Pension liabilities		
As at 1 August 2017	84	93
Transferred to Current Liabilities	(5)	(9)
As at 31 July 2018	79	84

16. Dilapidations

	2018 £'000	2017 £'000
Balance at 1 August 2017	31	16
Charged to the SOFA	(31)	-
Additions	7	17
Balance at 31 July 2018	7	31

The lease associated with the office premises in Argyll Court was varied in October 2017 and the dilapidations obligation paid in full. A new dilapidations provision has been recognised in relation to the lease of the office premises at Airthrey Castle expiring in 2020. The amount recognised in 2017-18 relates to the annual charge of the anticipated cost due at the end of the lease period together with the release of the dilapidations provision associated with Argyll Court.

17. Financial assets and liabilities

	2018 £'000	2017 £'000
Financial assets at amortised cost	21	86
Financial liabilities at amortised cost	(222)	(241)
Total	(201)	(155)

Financial assets held at amortised cost comprise trade debtors.

Financial liabilities held at amortised cost due within one year comprise trade creditors, accruals and other creditors.

Financial liabilities held at amortised cost due after more than one year comprise pension liabilities.

Notes to the Financial Statements (continued)

18. Lease Commitments

Future minimum lease payments under non-cancellable operating leases are:

	2018 £'000	2017 £'000
Operating leases which expire:		
Due within 1 year	55	370
Between 2 and 5 years	55	-
Due over 5 years	-	-
Total	110	370

In August 2017 negotiations were entered into with the landlord to vary the head lease with regard to the office premises at Argyll Court. These negotiations were concluded in October 2017 and £320,000 was paid to the landlord in the respect. The 2017 amount reflects this payment together with the rent due to the landlord for 2017-18. A new lease is now in place for office premises at Airthrey Castle. The 2018 figures reflect the new leasing arrangements.

19. Pension costs

College Development Network operates three pension schemes, the Scottish Teachers' Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF) and the Aegon scheme. College Development Network also contributes into a personal pension plan (PPP) for employees on request. The total employer's pension cost for the period was as follows:

Pension costs

	2018 £'000	2017 £'000
Contribution to SPF	177	110
Contribution to STSS	14	21
Contribution to Aegon	21	29
Additional contribution to cover unfunded pension	1	1
Total pension cost	213	161

Pension contributions outstanding at the year-end were £1,689 (2017: £17,522).

Scottish Teachers' Superannuation Scheme (STSS)

- (a) If staff joining College Development Network are currently members of the STSS they may opt to remain members of the scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be based on scheme data as at 31 March 2016 and this will set contribution rates from 1 April 2019.
- (b) College Development Network has no liability for other employers obligations to the multi-employer scheme.
- (c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

Notes to the Financial Statements (continued)

Scottish Teachers' Superannuation Scheme (STSS) (continued)

(d) (i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where College Development Network is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate from 1 August 2015 to 31 August 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

(iv) At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

(v) College Development Network's level of participation in the scheme is 0.01% based on the proportion of employer contributions paid in 2013-14.

Strathclyde Pension Fund (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 in College Development Network, the scheme closed to existing administrative and technical staff on 1 November 2003 and to new administrative and technical staff from 1 August 2003.

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

From 1 April 2017	19.3%
From 1 April 2018	19.3%
From 1 April 2019	19.3%

Anticipated employer contributions to the scheme for the year ended 31 July 2019 will be approximately £103,000.

Employees' contribution is calculated on a tiered contribution basis dependent on pensionable salary.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2017 updated to 31 July 2018 by a qualified independent actuary, Hymans Robertson LLP.

Financial assumptions

	At 31 July 2018	At 31 July 2017
Rate of increase on salaries	3.6%	4.5%
Rate of increase on pensions	2.4%	2.5%
Discount rate for liabilities	2.8%	2.7%

Major categories of plan assets as a percentage of total plan assets

	At 31 July 2018	At 31 July 2017
Equity	64%	71%
Bonds	22%	14%
Property	11%	11%
Cash	3%	4%

Notes to the Financial Statements (continued)

Mortality

	At 31 July 2018 Male	At 31 July 2018 Female	At 31 July 2017 Male	At 31 July 2017 Female
Current Pensioners	21.4 years	23.7 years	22.1 years	23.6 years
Future Pensioners	23.4 years	25.8 years	24.8 years	26.2 years

The fair value of scheme assets attributed to College Development Network, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of scheme liabilities attributed to College Development Network which are derived from cash flow projections over a long period and thus inherently uncertain, were:

	At 31 July 2018	At 31 July 2017
Total fair value of assets	5,844	5,383
Present value of scheme liabilities	(5,716)	(6,431)
Net assets/(liabilities)	128	(1,048)

Analysis of amount charged to other financial income

	2018 £'000	2017 £'000
Service cost	280	215
Total Operating Charge	280	215

Analysis of net return on pension scheme

	2018 £'000	2017 £'000
Expected return on pension scheme assets	147	113
Interest on pension charge	(177)	(138)
Net Return	(30)	(25)

Analysis of amount recognised in statement of financial activities

	2018 £'000	2017 £'000
Current service cost	227	215
Past service cost	53	-
Contributions	(161)	(109)
Interest Cost	177	138
Interest Income on plan assets	(147)	(113)
Total included in statement of financial activities	149	131

Movement in deficit during the year

	2018 £'000	2017 £'000
Deficit in Scheme at Beginning of Year	(1,048)	(1,007)
Current service cost	(227)	(215)
Past service cost	(53)	-
Contributions paid	160	108
Contributions in respect of unfunded benefits	1	1
Actuarial gain	1,325	90
Net return on assets	(30)	(25)
Surplus/(deficit) in the Scheme at End of Year	128	(1,048)

Notes to the Financial Statements (continued)

Reconciliation of defined benefit obligation

	2018 £'000	2017 £'000
Opening Defined Benefit Obligation	6,431	5,687
Current service cost	227	215
Past service cost	53	-
Interest cost	177	138
Contributions by members	44	45
Actuarial (gains)/losses	(1,119)	436
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(96)	(89)
Closing Defined Benefit Obligation	5,716	6,431

Reconciliation of fair value of employer assets

	2018 £'000	2017 £'000
Opening Fair Value of Employer Assets	5,383	4,680
Expected return on assets	147	113
Contributions by members	44	45
Contributions by employers	160	108
Contributions in respect of unfunded benefits	1	1
Actuarial gain/(loss)	206	526
Unfunded benefits paid	(1)	(1)
Benefits paid	(96)	(89)
Closing Fair Value of Employer Assets	5,844	5,383

The Scottish Equitable Scheme

The Scottish Equitable scheme is a defined contribution scheme, open to all staff in College Development Network. 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.

20. Analysis of unrestricted funds

	Balance at 1 August 2017 £'000	Income (inc. gains) £'000	Expenditure £'000	Transfers £'000	Recognised Gain £'000	Balance at 31 July 2018 £'000
General funds	952	1,813	(2,530)	69	-	304
Designated funds:						
Pension fund	(1,048)	-	(149)	-	1,325	128
Innovation & resilience reserve	79	-	(10)	(69)	-	-
Total	(17)	1,813	(2,689)	-	1,325	432

The Pension Fund contains the overall asset or liability of the defined benefit pension scheme, and has been designated to ensure these funds are kept separate from the general funds of College Development Network.

The Innovation fund has been transferred into general reserves and closed.

Notes to the Financial Statements (continued)

21. Reconciliation of net expenditure to net cash flow from operating activities

	2018 £'000	2017 £'000
Net expenditure for the reporting period	(876)	(100)
Adjustment for:		
Depreciation	47	37
Interest received	-	(5)
Decrease/(Increase) in debtors	100	(6)
Decrease in creditors	(73)	(44)
Defined benefit pension scheme	149	131
Net cash flows from operating activities	(653)	13

22. Related parties

During the year, Verus HR Limited provided services amounting to £6,720 to College Developments Network. The amounts due to Verus HR Limited at the year end was £Nil. Gillian Croan is both a director of Verus HR Limited as well as College Development Network.

During the year, College Development Network received sub-tenant income amount to £116,097 from Colleges Scotland. At the year end £1,573 was outstanding and is included within trade debtors. On moving premises College Development Network paid £36,480 to Colleges Scotland as a contribution towards the costs of relocating the provision of services to a new provider. Brian Johnstone and Willie Mackie are directors of both Colleges Scotland and College Development Network.