

College Development Network

Financial Statements for the Year Ended

31 July 2016

Charity Number: SC021876
Company Number: SC143514

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Report of the Directors/Trustees for the year ended 31 July 2016

The Directors/Trustees present their report and audited financial statements for the year ended 31 July 2016.

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 regular meetings through 2015-16 which have been well attended and proactive in terms of discussion and outputs.

2015-16 saw the first year of delivery against the Outcome Agreement with the SFC, through implementation of CDN's Operational Plan which also aligns directly with the Strategic Plan 2015-18. The key strategic themes are:

- Governance Leadership and Management
- Curriculum, Learning, Teaching, Assessment and Attainment
- Development Networks
- Employer engagement and enterprise
- Quality and Digital Development
- Sustainability and Support Services.

Achievements and Performance

During 2015-16 CDN assisted in developing the college sector's capacity by delivering the following events, webinars and facilitated meetings to the college sector:

- 357 face to face events and meetings
- To 6,940 delegates – up by 2,293 delegates compared to 2015-16
- 1,093 online delegates (e.g. webinars and Moodle) – saving them a total of 136,041 miles in travel
- 109 Network meetings and events
- With 1,820 Network attendees.

Key areas of work:

Governance Leadership and Management - A key aspect of our work during the year was around college governance. The Scottish Government Governance Task Group asked CDN to deliver on a range of issues, including national board member induction training. CDN responded to this requirement with a programme of training, which saw almost 175 board members participating in sessions run in Stirling plus regional workshops which took place in Inverness, Edinburgh, Glasgow and Lanarkshire.

Curriculum, Learning, Teaching, Assessment and Attainment - CDN led on opportunities for work-related curriculum design and delivery, for example, by encouraging eight colleges to build Food Manufacture Awards into the college curriculum. We created strengthened relationships with partner agencies to embed developing approaches across the sector. A new arrangement with SQA means that CDN will be managing a database of College Nominees and assisting them in providing supporting to the sector in the delivery and assessment of National Qualifications. In response to Education Scotland's renewed focus on staff awareness of the Prevent Strategy we developed an awareness-raising programme for face to face delivery as well as an online programme through our Moodle platform. CDN has also been at the forefront of advancing the access, inclusion and equality agenda across the sector.

Development Networks - The work of our Development Networks has been wide-ranging, from delivering part of the Seafood Skills Action Plan to developing health and social care integration to develop qualification pathways, working in partnership with NHS Boards. The 'Essential Skills Statement of Ambition', developed by the Essential Skills and Volunteering Network, was launched by the Minister for Further Education, Higher Education and Science at the Network's national conference.

Employer engagement and enterprise - CDN re-launched the Emporium as the 'CDN Emporium: Inspiring Ideas', which focused on the theme of 'Developing the Workforce' and took place 1 to 17 June 2016. It offered workshops, seminars and practical activities and was attended by 849 delegates. The Emporium creates opportunities for the sector to share inspiring practice and success stories that shape a transforming workforce development agenda.

Quality and Digital Development - We have created a dedicated webinar and digital delivery facility which means we are able to be more reactive to the needs of the sector by providing more livestreaming, videos and recordings. Our online and blended course delivery continues to expand.

Sustainability and Support Services – during the year new systems were identified to improve and strengthen CDN's business practice and efficiencies. This included implementation of a new finance system, work towards implementation of Office365 and SharePoint, along with development of a CRM and work towards a new events system. Work has taken place to identify potential new markets and to match our products and services to the needs of those markets. As part of work to expand CDN's financial sustainability, plans are now in place for marketing new products to gain greater market share of the college sector in relation to paid-for services, and for attracting new audiences to purchase our services.

Our quarterly reports submitted to the SFC provided detailed information on outputs and evidence of impact, and these were well received, as were reports to other key funders such as the Scottish Government.

Financial Review

During 2015-16 an operational deficit of £103k was incurred, ahead of the budgeted position at the year end of £138k. Spend against the Innovation and Resilience Fund during the year increased this deficit to £200k. Net pension liabilities under FRS 102 section 28 increased by £215k at the year-end, which when recognised in the SOFA with a holiday pay accrual of £19k under FRS102, resulted in an overall statutory deficit for the organisation of £434k for the year to 31 July 2016.

Income for the year was £2.2M. Of this, the Scottish Funding Council (SFC) provided a flat-cash core grant of £1.5M amounting to around 71% of total income for the year. The SFC also provided additional project funding under separate letters of grant of £146k, taking the total SFC funding to 78% of total income for the year and continues to remain, by far, the main source of funding.

Spend for the year, including the Innovation and Resilience Fund, totalled £2.5M of which around 54% was in respect of staffing costs. Spend against the Innovation and Resilience Fund totalled £97k relating largely to key systems changes during the year.

Turnover expected for 2016-17 is £2.3M with a planned operational deficit of £58k. Planned spend against the Innovation and Resilience Fund is £31k which will take the overall expected loss to £89k. The Board of Directors consider that College Development Network continues to be financially secure and supports the planned spend for 2016-17 on this basis.

Principal Funding Sources

College Development Network received flat-cash core funding from the SFC of £1.54M to contribute to the operational running of the organisation and to deliver agreed project activities in line with sector need. The SFC also provided £146k of 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 SDS 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. The premises at Argyll Court and some support services are also shared with Colleges Scotland, JISC and the Energy Skills Partnership which together generated income of £233k during the year.

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.

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 to ensure continuity of service provision.

For 2015-16 the main risks and potential liabilities faced are as set out in the risk management section of this report together with fluctuations in pensions liabilities arising under FRS102 - section 28. The strategy is therefore to maintain reserves at a level sufficient to cover any potential liabilities arising. An Innovation & Resilience Fund (I&R Fund) was created in 2009-10 from excess surpluses created over that planned and was built up over a number of years. This fund has since been used to contribute to both the delivery of our strategic priorities and to create some financial 'headroom' to support any unexpected key sector issues arising when such funds are available. At the year-end College Development Network had a balance of £96k remaining in the I&R fund and there are plans to spend a further £30k of this in 2016-17 to support systems updates.

The reserves position as at 31 July 2016 has therefore decreased to a net liability of £7k.

The Directors are aware of the net liability position at the balance sheet date as a result of FRS102 – section 28 accounting for the Strathclyde Pension Scheme, and recognise that operational reserves are actually sitting at £1M and are therefore content that the reserves policy has been met.

Plans for Future periods

CDN's Operational Plan established the work programme for the year, taking cognisance of the need to adapt practice and content in consultation with the sector.

Over the next two years and beyond we will build upon our work to develop the sector's leadership and governance capacity at all levels. We will also share effective practice in organisational development across a range of disciplines, utilising the experience and expertise of our Networks.

Going forward we will demonstrate leadership on current and emerging theory and practice in learning, teaching and assessment through our Networks, courses, workshops and online learning. By building on our strategic partnerships, we will facilitate a culture of curriculum development and sharing of learning resources to support learning on a national level.

Our Networks offer the college sector a unique offering to share, collaborate and innovate collectively. Over the next two years and beyond our Networks will continue to create opportunities for colleges to participate in ambitious partnership opportunities and to share best practice both face to face and online.

Over the next two years and beyond we will build on our partnership initiatives to support delivery of Developing Scotland's Young Workforce and create inspiring materials to enhance employer involvement in curriculum development, as well as to exemplify and disseminate inspiring practice in this area.

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 Accounts for the financial year.

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 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. It is no longer possible to separately identify the amounts relating to Professional Indemnity and Directors' and Officers' Liability insurance.

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 8 to the accounts. Details of the remuneration of the Chief Executive are included in note 9.

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

all staff within the organisation. In 2015-16 Executive salaries were benchmarked and re-aligned if required.

Related Parties

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

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 cuts effecting the sustainability of College Development Network;
- income targets, out with the SFC core grant, are not met;
- managing the relationship and associated risks arising between College Development Network and its sub-tenants.

We have sought to mitigate these risks by on-going discussions with SFC, having a business development plan in place and investment in maintaining and managing the relationships between College Development Network and its sub-tenants.

Reference and Administrative Information

Company Number:	SC143514
Registered Charity Number:	SC021876
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditor:	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Internal Auditor:	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
Solicitors:	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Bankers:	Bank of Scotland plc 1 Munro Road Springkerse Stirling FK7 7SY

Directors and Trustees

The Directors/Trustees 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

Linda McTavish

Regional Chair, The Lanarkshire Board

Annette Bruton
(Appointed 4 February 2016)

Principal, Edinburgh College

Craig Wilson
(Resigned 16 November 2015)

Vice-Principal, Edinburgh College

Thomas Kelly

Independent Consultant and Services Professional

Douglas Millar

Director, Accelerating Business Ltd

Joe Wilson
(Resigned 31 December 2015)

CEO

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

Candy Munroe
(from 1 January 2016)

Acting Chief Executive

Gayle Watson

Company Secretary

Committees of the Board of Management

The Board operates with four formally constituted committees which act with delegated authority from the full Board in place. Information on the Board's committees is given below, together with details of membership:

Audit Committee	Willie Mackie (Chair), Douglas Millar, Craig Wilson (Resigned 16 November 2015), Linda McTavish, Pete Smith
Development Committee	Stephanie Graham (Chair), Linda McTavish plus co-opted Regional Representatives from Regional Colleges/Strategic Bodies, NUS and SPARQS.
HR Committee	Douglas Millar (Chair), Willie Mackie, Stephanie Graham
Innovation Committee	Tom Kelly (Chair), Joe Wilson (resigned 31 December), Craig Wilson (resigned 16 November), Anette Bruton plus two co-opted members from the Development Committee

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

By order of the Board:



Paul Houlden
Chair of the Board

Date: 9 November 2016

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 Trustees' and 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.

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.

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.

Auditor

In accordance with Company's Articles, 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 (FRS102) and in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006.

Corporate Governance Statement

College Development Network is committed to exhibiting best practice in all aspects of corporate governance.

The Board of Directors is responsible for the systems of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Directors is of the view that there is an ongoing process for identifying, evaluating and managing significant risks faced by College Development Network and that this process has been in place during the reporting period. This process is reviewed at least quarterly by the Board of Directors.

The Board of Directors meets at least quarterly and has delegated authority to the following committees with formal terms of reference:

- Development Committee
- Audit Committee
- HR Committee
- Innovation committee

All committees comprise mainly lay members of the Board of Directors, one of whom is the Chair.

In respect of its strategic and development responsibilities, the Board of Directors receives recommendations and advice from the Chief Executive and Executive Team.

The Audit Committee meets, as a minimum, twice a year but may meet up to four times a year, with the external or internal auditors in attendance if requested. The committee considers detailed reports together with recommendations for the improvement of the systems of internal control and management's responses and implementation plans. An Annual Report is presented to the Board by the Audit Committee expressing an opinion on whether it believes that the company has effective systems and processes in place regarding risk management, governance and financial control.

The Development Committee meets at least four times a year. The remit of the Committee is to ensure the design, development and delivery of College Development Network support services meets colleges emerging and priority development needs and promote awareness and understanding of the portfolio of College Development Network services for the sector, across college staff and key stakeholders.

The HR Committee meets, as a minimum, twice a year. The committee ensures that Health & Safety policies and procedures and HR Strategies, policies and processes are in place and are managed effectively.

The Innovation Committee meets, as a minimum, twice a year but may meet more frequently as required. The Committee ensures that IT systems and policies reflect the aspirations of the organisations to lead, create and share across the FE sector and beyond and to challenge the organisation in and around its effective use of technology across its product and services.

The Executive receives reports setting out information on key performance and risk management and considers possible control issues therein. The Board of Directors receives reports from the Executive and the Audit Committee regarding risk and control issues and how it is planned to address these issues. The Audit Committee's role is confined to a high level review of arrangements for internal control. The overall emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

We have audited the financial statements of College Development Network for the year ended 31 July 2016 which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

This report is made exclusively to the members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006 and to the charitable company'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 (as amended). Our audit work has been undertaken so that we might state to the members and the charitable company'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 charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Directors' Responsibilities in Relation to the Financial Statements set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and of its incoming resources and application of resources, including 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' and Directors' Report for the financial year 31 July 2016 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the

Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records, 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemption in preparing the Trustee's and Directors' Report; or
- the directors were not exempt from the requirement to prepare a Strategic Report.

Michael Harkness

**Senior Statutory Auditor:
Michael Harkness**

**For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL**

9 November 2016

**Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2016**

	Notes	2016 £'000 Unrestricted Funds	2016 £'000 Total Funds	2015 £'000 Unrestricted Funds	2015 £'000 Total Funds
Income and endowments from:					
Donations and legacies	4	27	27	110	110
Charitable activities	5	2,132	2,132	2,191	2,191
Investments		9	9	10	10
Other		-	-	1	1
Total		2,168	2,168	2,312	2,312
Expenditure on:					
Charitable activities	6	2,491	2,491	2,346	2,346
Total		2,491	2,491	2,346	2,346
Net expenditure		(323)	(323)	(34)	(34)
Other recognised losses:					
(Loss) / Gain on defined benefit pension scheme	20	(111)	(111)	104	104
Net movement in funds		(434)	(434)	70	70
Reconciliation of funds:					
Total funds brought forward		427	427	357	357
Total funds carried forward		(7)	(7)	427	427

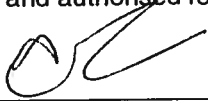
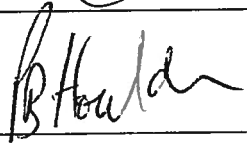
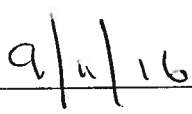
The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities in the above two periods.

Balance Sheet as at 31 July 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	11	46	58
Current assets			
Debtors	12	132	101
Cash at bank and in hand	13	1,227	1,451
Total current assets		1,359	1,552
Liabilities			
Creditors: Amounts falling due within one year	14	(296)	(290)
Net current assets		1,063	1,262
Total assets less current liabilities		1,109	1,320
Creditors: Amounts falling due after more than one year	16	(93)	(86)
Provisions	17	(16)	-
Net assets excluding pension liability		1,000	1,234
Pension liability	20	(1,007)	(807)
Total Net (liabilities)/assets		(7)	427
The funds of the charity:			
Unrestricted funds:	21		
General funds		905	1,021
Designated funds:			
Pension liability		(1,007)	(807)
Innovation & resilience reserve		95	193
Dilapidation reserve		-	20
		(7)	427
Total charity funds		(7)	427

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:


 _____ Acting Chief Executive

 _____ Director

 _____ Date

Charity Number: SC021876
 Company Number: SC143514

**Statement of Cash Flows
for the year ended 31 July 2016**

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities:			
Net cash (used)/provided by operating activities	22	(202)	154
Cash flows from investing activities			
Interest received		9	10
Purchase of property, plant and equipment		(31)	(20)
Cash provided by investing activities		(22)	(10)
Change in cash and cash equivalents in the year		(224)	144
Cash and cash equivalents at the beginning of the year		1,451	1,307
Cash and cash equivalents at the end of the year	13	1,227	1,451

Notes to the Financial Statements for the Year Ended 31 July 2016

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 2016.

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 Argyll Court, Castle Business Park, Stirling, FK9 4TY.

(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 accounts 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.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees 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 3.

Before 2015 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102, as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006, and referred to as "previous UK GAAP". The financial effects of the transition to FRS 102 are set out in note 2 below.

(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 2016-17 and the letter of grant for 2016-17 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.

(e) Incoming resources

All incoming resources are 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) 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. 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.

(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.

(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.

Cash and cash equivalents are measured at amortised cost.

(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 other comprehensive income. 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.

2. Transition to FRS 102

These financial statements for the year ended 31 July 2016 are the charity's first financial statements that comply with the FRS 102. The charity's date of transition to FRS 102 is 1 August 2014. The

charity's last financial statements prepared in accordance with previous UK GAAP were for the year ended 31 July 2015.

The transition to FRS 102 has resulted in a number of changes in the charity's accounting policies compared to those used when applying previous UK GAAP.

The following explanatory note to the financial statements describes the differences between the funds and income and expenditure presented under the previous UK GAAP and the newly presented amounts under FRS 102 for the reporting period ended at 31 July 2015 (i.e. comparative information), as well as the funds presented in the opening statement of Balance Sheet (i.e. at 1 August 2014). It also describes the changes in accounting policies made on first-time adoption of FRS 102.

In the table below, movements in funds determined in accordance with the FRS 102 are reconciled to movements in funds determined in accordance with previous UK GAAP at both 1 August 2014 (the date of transition to FRS 102) and 31 July 2016.

Reconciliation of net movement in funds for the year ended 31 July 2015

	Notes	Previous UK GAAP £'000	Effect of transition £'000	FRS 102 £'000
Income and endowments from:				
Donations and legacies		110	-	110
Charitable activities		2,191	-	2,191
Investment income		10	-	10
Other		1	-	1
Total		2,312	-	2,312
Expenditure on:				
Charitable activities	(a)	2,267	79	2,346
Total		2,267	79	2,346
Net income/(expenditure)		45	(79)	(34)
Other recognised losses:				
Gain on defined benefit pension scheme		25	79	104
Net movement in funds		70	-	70

(a) Recognition of the adjustments to the defined benefit pension scheme have been restated under FRS 102.

3. Critical judgements and estimates

In preparing the financial statements trustees 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).

4 . Donations and legacies

	2016 £'000	2016 £'000	2015 £'000
	Unrestricted	Total	Total
Sponsorship	27	27	42
Restructuring	-	-	68
Total	27	27	110

5 . Charitable activities

	2016 £'000	2016 £'000	2015 £'000
	Unrestricted	Total	Total
Projects, Consultancy, Training, Facilitation,	355	355	399
Sub-tenant income	233	233	244
Project partner funds	-	-	4
Total Contracts and Support Services	588	588	647
Service Level Agreement with SFC	1,544	1,544	1,544
Total Grants Received	1,544	1,544	1,544
Total	2,132	2,132	2,191

6. Expenditure on charitable activities

	Projects, consultancy training and facilitation £'000	Project partner funds £'000	Sub- tenant support £'000	Other support costs £'000	2016 Total £'000	2015 Total £'000
Staffing costs	960	-	106	286	1,352	1,078
Project specific costs	450	-	-	-	450	664
Project partner funds	-	-	-	-	-	4
Support costs (see note 7)	-	-	127	524	651	568
Governance costs (see note 7)	-	-	-	38	38	32
Total Resources Expended	1,410	-	233	848	2,491	2,346

7. Analysis of support and governance costs

	Basis of allocation	Support costs £'000	Governance £'000	2016 Total £'000	2015 Total £'000
Board meeting costs	Direct	-	1	1	2
Staffing costs	Time	-	20	20	16
Audit fees	Direct	-	17	17	14
Overheads	Headcount	651	-	651	568
Total		651	38	689	600

8. Board remuneration

The emoluments of the Chief Executive and Acting Chief Executive are disclosed in note 9. No other member of the Board either received or waived any emoluments during the year (2015: £nil).

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

	2016 No. of board members	2015 No. of board members	2016 £'000	2015 £'000
Travel	6	7	7	9

9. Staff Costs

	2016 £'000	2015 £'000
Core Staff		
Wages and salaries	1,053	857
Social security costs	91	72
Other pension costs	168	128
FRS 102 defined benefit adjustments	59	37
Short-term and temporary staff		
Restructuring	-	68
Consultants	223	214
Agency staffing	35	76
Total	1,629	1,452

The average monthly headcount was 35 staff (2015:29 staff).

The average number of full-time equivalent employees including consultants, during the year was 35.41 (2015: 30.11).

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

	2016	2015
£60,000 - £69,999	1	1
	1	1

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

	2016 £'000	2015 £'000
Salaries	166	104
Benefits in Kind	2	2
Pension Contributions	28	18
Total Emoluments	196	124

The above emoluments include amounts payable to the Chief Executive, Joe Wilson, who is also a trustee for the purposes of charity law of £48,029 (2015: £40,833). Contributions to pension schemes on behalf of the Chief Executive were £4,968 (2015: £6,084). The Chief Executive also received benefits in kind of £567 (2015: £1,059)

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

10. Net income for the year

	2016 £'000	2015 £'000
This is stated after charging:		
Depreciation	43	49
External Auditor's remuneration		
- Audit	9	9
- Non-audit	3	10
Internal Auditor's remuneration	8	5
Operating Leases – Rent	151	151
	214	224

11. Fixed assets

	Computer Equipment £'000	Office Furniture £'000	Tenant's Improvements £'000	Total £'000
Cost				
At 1 August 2015	358	288	157	803
Additions	27	4	0	31
Disposals	(2)	(5)	0	(7)
At 31 July 2016	383	287	157	827
Accumulated depreciation				
At 1 August 2015	335	271	139	745
Charge for year	28	11	4	43
Eliminated on disposal	(2)	(5)	0	(7)
At 31 July 2016	361	277	143	781
Net book value 31 July 2016	22	10	14	46
Net book value 31 July 2015	23	17	18	58

12. Debtors

	2016 £'000	2015 £'000
Trade debtors	85	47
Prepayments and accrued income	42	39
Other debtors	5	15
Total	132	101

13. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	1,227	1,451
Total	1,227	1,451

14. Creditors

	2016 £'000	2015 £'000
Trade creditors	111	125
Taxes and social security costs	27	22
Accruals and other creditors	131	94
Deferred income	27	49
Total	296	290

15. Deferred income

	2016 £'000	2015 £'000
Deferred income at 1 August 2015	49	50
Performance related grant income earned	(1,636)	(1,641)
Performance related grant income deferred	1,614	1,640
Deferred income at 31 July 2016	27	49

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

16. Creditors due after more than one year

	2016 £'000	2015 £'000
Pension liabilities		
As at 1 August 2015	86	91
Transferred from/(to) Current Liabilities	7	(5)
As at 31 July 2016	93	86

17. Dilapidations

	2016 £'000	2015 £'000
Balance at 1 August 2015	-	-
Additions	16	-
Balance at 31 July 2016	16	-

The above dilapidations provision has been recognised in relation to the lease of the office premises expiring in 2021. The amount recognised in 2016 relates to the annual charge of Colleges Development Network's share of the anticipated cost due at the end of the lease period.

18. Financial assets and liabilities

	2016 £'000	2015 £'000
Financial assets at amortised cost	1,326	1,524
Financial liabilities at amortised cost	(334)	(305)
Total	992	1,219

Financial assets held at amortised cost comprise trade debtors, accrued income, other debtors and cash and cash equivalents.

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.

19. Lease Commitments

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

	2016 £'000	2015 £'000
Operating leases which expire:		
Due within 1 year	151	151
Between 2 and 5 years	527	527
Due over 5 years	-	151
Total	678	829

20. Pension costs

College Development Network operates three pension schemes, the Scottish Teachers' Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF) and the Scottish Equitable scheme (SE). 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:

	2016 £'000	2015 £'000
Contribution to SPF	91	60
Contribution to STSS	33	51
Contribution to SE	28	13
Pension recharges	-	1
Additional contribution to cover unfunded pension	1	3
Total pension cost	153	128

Pension contributions outstanding at the year-end were £17,966 (2015: £17,740).

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 was 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.
- (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 2015	19.3%
From 1 April 2016	19.3%
From 1 April 2017	19.3%

Anticipated employer contributions to the scheme for the year ended 31 July 2017 will be approximately £87,000.

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 2015 updated to 31 July 2016 by a qualified independent actuary, Hymans Robertson LLP.

Financial assumptions

	At 31 July 2016	At 31 July 2015
Rate of increase on salaries	3.9%	4.5%
Rate of increase on pensions	1.9%	2.6%
Discount rate for liabilities	2.4%	3.6%

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

	At 31 July 2016	At 31 July 2015
Equity	73%	75%
Bonds	16%	12%

Property	11%	12%
Cash	0%	1%

Mortality

	At 31 July 2016 Male	At 31 July 2016 Female	At 31 July 2015 Male	At 31 July 2015 Female
Current Pensioners	22.1 years	23.6 years	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 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 2016	At 31 July 2015
Total fair value of assets	4,680	4,045
Present value of scheme liabilities	(5,687)	(4,852)
Net Liabilities	(1,007)	(807)

Analysis of amount charged to other financial income

	2016 £'000	2015 £'000
Service cost	147	98
Total Operating Charge	147	98

Analysis of net return on pension scheme

	2016 £'000	2015 £'000
Expected return on pension scheme assets	146	159
Interest on pension liabilities	(176)	(193)
Net Return	(30)	(34)

Analysis of amount recognised in statement of financial activities

	2016 £'000	2015 £'000
Current service cost	147	98
Contributions	(88)	(61)
Interest Cost	176	193
Interest Income on plan assets	(146)	(159)
Total included in statement of financial activities	89	71

Movement in deficit during the year

	2016 £'000	2015 £'000
Deficit in Scheme at Beginning of Year	(807)	(840)
Current service cost	(147)	(98)
Contributions paid	87	60
Contributions in respect of unfunded benefits	1	1
Actuarial (loss)/gain	(111)	104
Net return on assets	(30)	(34)
Deficit in the Scheme at End of Year	(1,007)	(807)

Reconciliation of defined benefit obligation

	2016 £'000	2015 £'000
Opening Defined Benefit Obligation	4,852	4,814

Current service cost	147	98
Interest cost	176	193
Contributions by members	36	24
Actuarial losses/(gains)	559	(197)
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(82)	(79)
Closing Defined Benefit Obligation	5,687	4,852

Reconciliation of fair value of employer assets

	2016	2015
	£'000	£'000
Opening Fair Value of Employer Assets	4,045	3,974
Expected return on assets	146	159
Contributions by members	36	24
Contributions by employers	87	60
Contributions in respect of unfunded benefits	1	1
Actuarial gain/(loss)	448	(93)
Unfunded benefits paid	(1)	(1)
Benefits paid	(82)	(79)
Closing Fair Value of Employer Assets	4,680	4,045

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.

21. Analysis of unrestricted funds

	Restated balance at 1 August 2015 £'000	Income (inc. gains) £'000	Expenditure £'000	Recognised Loss £'000	Transfer In / (Out) £'000	Balance at 31 July 2016 £'000
General funds	1,021	2,168	(2,304)	-	20	905
Designated funds:						
Pension liability	(807)	-	(89)	(111)	-	(1,007)
Innovation & Resilience reserve	193	-	(98)	-	-	95
Dilapidation reserve	20	-	-	-	(20)	-
Total	427	2,168	(2,491)	(111)	-	(7)

The Pension Liability Fund is designated to meet potential pension liabilities.

The Dilapidation Reserve was designed to cover the potential cost of returning the accommodation to its original condition at the expiry of the current lease. However, this is now being provided for as a provision shown under creditors due in more than one year.

The Innovation & Resilience Reserve will continue to be used to both contribute to the delivery of our strategic priorities going forward and to create some financial 'headroom' to support the impact of the key issues facing the sector.

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

	2016	2015
	£'000	£'000
Net expenditure for the reporting period	(323)	(34)
Adjustment for:		
Depreciation	43	49
Interest received	(9)	(10)
(Increase)/decrease in debtors	(31)	144
Increase/(decrease) in creditors	29	(66)
Defined benefit pension scheme	89	71
Net cash flows from operating activities	(202)	154

23. Related parties

There have been no related party transactions during the year that require disclosure.