AYRSHIRE COLLEGE
FOUNDATION

Report of the Trustees and Financial Statements

For the year ended 31 March 2016

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COMPANIES HOUSE

REGISTERED COMPANY NUMBER: SC466366 (Scotland)

REGISTERED CHARITY NUMBER: SC044627

Ayrshire College Foundation

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Ayrshire College Foundation

Report of the Trustees
for the year ended 31 March 2016

The Trustees who are also Directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 March 2016. The Trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number
SC466366 (Scotland)

Registered Charity number
SC044627

Registered office
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9EE

Principal address
Kilmarnock Campus
Holehouse Road
Kilmarnock
Ayrshire
KA3 7AT

Trustees
J Rainey (chair)
G L Hunt
Ms M H M Harper
M G Simpson
Mrs V A Russell
Miss B Graham
W Mackie

Company Secretaries
Turcan Connell Company Secretaries Limited

Solicitors
Turcan Connell
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9EE

Auditors
Sinclair Scott (Scotland) Ltd
Chartered Accountants
Registered Auditor
3 Wellington Square
Ayr
KA7 1EN

Financial Advisers
Munro Partnership Ltd., Ayr

Principal Bankers
Bank of Scotland, Kilmarnock

Website
http://www.ayrshirecollegefoundation.org.uk/

COMMENCEMENT OF ACTIVITIES

The entity was incorporated on 23 December 2013 and commenced activities on that day.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

Ayrshire College Foundation ('the Foundation') was incorporated on 23 December 2013 as a limited company, limited by guarantee, as defined by the Companies Act 2006.

The company is governed by its Memorandum and Articles of Association under the Companies Act 2006.

The management of the company and its investment policy are the responsibility of the Board of Directors with the Directors elected under the terms of the Articles of Association.

Directors

The Articles of Association set out that the Foundation should have up to seven Trustees, these Trustees also being Directors and members. Within that number, the Articles of Association also stipulate that Ayrshire College can appoint up to three Trustees.

Following a request from Ayrshire College, the Foundation appointed Mr W Mackie and Miss B Graham as Trustees on 14 April 2014, with Mr Mackie and Miss Graham being Board members of Ayrshire College.

Organisational structure

The organisational structure of the Foundation is decided on and monitored by the Board of Directors. The Board meets, on average, four times per year.

The Foundation has entered into a service level agreement with Ayrshire College who provide accounting and administrative services to the Foundation at an agreed annual cost of £4,500 + VAT.

Related parties

The Foundation maintains strong working relationships with Ayrshire College who have also nominated two Trustees who sit on the Foundation's Board of Directors. Ayrshire College is therefore considered to be a related party.

Statement of Operating Principles

A Statement of Operating Principles was agreed by the Foundation in April 2014. This outlines the processes in relation to any applications for funding and the standard conditions on which grants would be made, if approved. The Statement highlights that the Foundation is a separate entity, entirely independent of Ayrshire College and not subject to the control or supervision by that College.

Risk management

The Trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

The Directors regularly review the Foundation's activities and have developed a Risk Register setting out the risks to which the Foundation is exposed. This Register informs the Foundation's risk mitigation approach and, as at March 2016, the Risk Register identified seven risks, each with completed risk scores and key actions planned to further mitigate risk.

All risks are assessed in terms of likelihood and potential impact.

The seven risks were assessed with three in the 'low' residual risk category and four in the 'medium' residual risk category.

CHARITABLE OBJECTIVES AND ACTIVITIES

The Foundation was registered as a Scottish Charity on 3 February 2014.

Objectives and aims

The objectives and activities of Ayrshire College Foundation are as follows:

- Charitable Purposes - the advancement of education

Charitable objects – the objects of the Foundation are to advance the charitable purposes of Ayrshire College to include the advancement of education by making grants and providing financial support for projects and activities being carried out by and supported by Ayrshire College.

Grant making

The Trustees agreed a grant awards policy at their meeting on 14 April 2014. This sets out the approach to be followed to request an award from the Foundation, the standard conditions that would be attached to any grant and also the standard Application Form that should be used.

The Foundation has developed a website to assist in publicising the Foundation's activities and welcomes any applications that would align with the Foundation's charitable objects.

STRATEGIC REPORT

Achievement and performance

Charitable activities

Ayrshire College

As shown in Note 12 to the Financial Statements, the Foundation entered into a Grant Agreement with Ayrshire College in February 2015 to support the College's refurbishment and development of its campuses in Ayr and Kilwinning. The grant payable was for a maximum amount of £3,042,265. Of this amount, £312,797 was paid to the College in March 2015.

Further payments of £2,250,000 were made to the College in the year to March 2016, taking the cumulative grant paid to £2,562,797.

The Ayr and Kilwinning campus refurbishments were successfully completed by the end of 2015. Foundation representatives attended the opening ceremonies and student / staff feedback has demonstrated a significant improvement in the learner experience at these campuses.

Total costs of the refurbishments are expected to be £2,652,266 therefore the Foundation is committed to further payments, in 2016-17, of £89,469.

Mission Discovery

The Foundation agreed in November 2015 to provide support of up to £109,800 for the 'Mission Discovery' initiative. Mission Discovery is a space school developed by the International Space School Education Trust (ISSET) which gives secondary school pupils and students the chance to engage with NASA astronauts and rocket scientists.

The participants work in teams, aided by mentors, to develop their own space experiments – with the winners having their idea launched to the International Space Station.

Mission Discovery is proven to enhance students' scientific and technological skillset, while developing innovation and team work.

Each of the three Local Authorities, East Ayrshire, North Ayrshire and South Ayrshire, have put forward 50 pupils for the week-long event, with Ayrshire College selecting 50 students from its STEM courses. The event took place in June 2016 at Ayrshire College's Ayr Campus, with a programme of public events also on during this time.

Interim payments of £48,000 were made to ISSET in the year, leaving the Foundation committed to a further expenditure of up to £61,800.

Other Grants Approved

Details of other grants approved in the year are given in Note 12 to the Financial Statements, with payments against these educational projects to be made in 2016-17.

The Foundation is keen to receive further charitable requests that align with its charitable objects and is currently considering a number of proposals for funding that have been received.

Investment policy

The Foundation has put in place an Investment and Cash Management Policy in order to regulate the investment of the Foundation's funds, bearing in mind the investment duties of charitable Trustees and also the charitable purposes of the Foundation. The attitude to risk of the Trustees also informed the way in which the policy was drafted.

Assisted by Munro Partnership, and in line with its investment policy, the Foundation has invested its cash resources across a number of accounts with various financial institutions. These accounts are held on terms ranging from instant access to six month notice accounts.

The Trustees considered whether an ethical stance should be adopted in relation to the investment of cash and other resources, and took legal advice on the relevant considerations. It was decided that no ethical restrictions were appropriate. The Trustees have undertaken to review the Investment and Cash Management Policy periodically.

At 31 March 2016 the Foundation was achieving a weighted average interest rate of approximately 1.08% on its cash balances.

The initial investment approach of the Foundation since incorporation had been that resources should be held as cash balances to maintain flexibility. As noted in Note 13 to these financial statements, the Foundation has now agreed that an appropriate balance of resource can be invested in a stocks and shares portfolio, with an initial £500,000 investment being made in May 2016.

FINANCIAL REVIEW

Principal funding sources

The principal funding source for the Foundation is the receipts of donations. It is for this reason that the Trustees prepared and issued the Statement of Operating Principles, setting out the procedures that would be adopted by the Foundation in order to ensure that the processes were as efficient as possible. An initial significant donation was received from Ayrshire College in March 2014 and the Foundation is keen to receive further donations from all sources. The Trustees are in discussion with a number of potential sources of additional funding.

Reserves policy

All donations and investment income from the Foundation's funds are credited to general reserves and are available to meet the charitable objects of the Foundation. The Trustees have put in place a Reserves Policy, noting in particular that the Foundation may have either restricted funds or unrestricted funds. Whilst the Foundation has not yet received any specific restricted donations, any such donations would be held in specific restricted funds with any grants by the Foundation from these funds following the terms of the specific restrictions – for example in terms of the benefitting location and type of grant – as long as any such grants were in line with the overall charitable objects of the Foundation. The Trustees have undertaken to review the Reserves Policy periodically.

Donations received

A significant donation of £6,611,000 was received from Ayrshire College in March 2014.

Review of the year

The results for the period, and the financial position of the Foundation, are shown in the annexed financial statements.

In the year, the Foundation received interest income of £52,882 on its cash balances. Administrative and governance costs in the year amounted to £28,926 and grants of £2,298,000 were made in the year as detailed in Note 4 to these financial statements.

The Directors therefore report a deficit for the year of (£2,274,044).

Report of the Trustees
for the year ended 31 March 2016

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also the Directors and members of Ayrshire College Foundation for the purposes of company law, the Foundation having been established as a private company, limited by guarantee) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Foundation and of the incoming resources and application of resources, including the income and expenditure, of the Foundation for that period. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Foundation and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the Foundation's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The auditors, Sinclair Scott, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Report of the Trustees, incorporating a strategic report, approved by order of the Board of Trustees, as the company Directors, on 9 August 2016 and signed on the Board's behalf by:



J Rainey - Trustee

Report of the Independent Auditors to the Trustees and Members of Ayrshire College Foundation

We have audited the financial statements of Ayrshire College Foundation for the year ended 31 March 2016 on pages 9 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 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. Our audit work has been undertaken so that we might state to the charitable company's members and Trustees those matters we are required to state to them in an auditors' 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 the charitable company's 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 auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page six, 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 auditors 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 (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 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 requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Report of the Independent Auditors to the Trustees and Members of Ayrshire College Foundation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Trustees for the financial year 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.



Andrew P Sinclair (Senior Statutory Auditor)
for and on behalf of Sinclair Scott (Scotland) Ltd
Chartered Accountants
Registered Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
3 Wellington Square
Ayr
Ayrshire
KA7 1EN

Date: 9 August 2016

Ayrshire College Foundation

Statement of Financial Activities
for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £	Period ended 31 March 2015 £
INCOME & ENDOWMENTS			
Donations & legacies	2	-	6,611,000
Investment income	3	**52,882**	48,284
		52,882	6,659,284
EXPENDITURE			
Charitable activities			
Grants payable	4	**2,298,000**	312,797
Administrative costs	5	**7,592**	5,980
Legal and professional fees		**17,126**	20,037
Auditors' remuneration		**4,208**	3,400
Total expenditure		**2,326,926**	**342,214**
NET INCOME/(EXPENDITURE)		**(2,274,044)**	6,317,070
Total funds brought forward		**6,317,070**	-
Total funds carried forward		**4,043,026**	6,317,070

CONTINUING OPERATIONS
All incoming resources and resources expended arise from continuing activities.

The notes form part of these financial statements

Ayrshire College Foundation

Balance Sheet
At 31 March 2016

	Notes	Year ended 31 March 2016 £	Period ended 31 March 2015 £
CURRENT ASSETS			
Debtors	9	**13,372**	13,532
Cash at bank		**4,040,154**	6,311,148
		4,053,526	6,324,680
CREDITORS			
Amounts falling due within one year	10	**(10,500)**	(7,610)
NET CURRENT ASSETS		**4,043,026**	6,317,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,043,026**	6,317,070
NET ASSETS		**4,043,026**	6,317,070
FUNDS			
Unrestricted funds	11	**4,043,026**	6,317,070
TOTAL FUNDS		**4,043,026**	6,317,070

The financial statements were approved by the Board of Trustees on 9 August 2016 and were signed on its behalf by:

J Rainey, Trustee

G Hunt, Trustee

The notes form part of these financial statements

Ayrshire College Foundation

Cash Flow Statement
for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £	Period ended 31 March 2015 £
Notes			
Net cash (outflow) / inflow from operating activities	1	**(2,323,876)**	6,262,864
Returns on investments and servicing of finance	2	**52,882**	48,284
		(2,270,994)	6,311,148
Reconciliation of net cash flow to movement in net cash balances	3		
(Decrease) / increase in cash in the period		**(2,270,994)**	6,311,148
Change in net cash balances resulting from cash flows		**(2,270,994)**	6,311,148
Movement in net cash balances in the period		**(2,270,994)**	6,311,148
Net cash balances at 1 April 2015		**6,311,148**	-
Net cash balances at 31 March 2016		**4,040,154**	6,311,148

The notes form part of these financial statements

Notes to the Cash Flow Statement for the year ended 31 March 2016

	Year ended 31 March 2016	Period ended 31 March 2015
	£	£

1. RECONCILIATION OF NET (OUTGOING) / INCOMING RESOURCES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Net (outgoing) / incoming resources	**(2,274,044)**	6,317,070
Interest received	**(52,882)**	(48,284)
Decrease / (increase) in debtors	**160**	(13,532)
(Decrease) / increase in creditors	**2,890**	7,610
Net cash (outflow) / inflow from operating activities	**(2,323,876)**	6,262,864

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

Returns on investments and servicing of finance		
Interest received	**52,882**	48,284
Net cash inflow for returns on investments and servicing of finance	**52,882**	48,284

3. ANALYSIS OF CHANGES IN NET CASH BALANCES

	At 01/04/15	Cash flow	At 31/3/16
	£	£	£
Net cash:			
Cash at bank	6,311,148	(2,270,994)	4,040,154
Total	6,311,148	(2,270,994)	4,040,154

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

On transition to FRS 102, the charity has not taken advantage of any transitional relief as no matters require to be restated.

Income

All incoming resources are included on the Statement of Financial Activities when the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

Expenditure and Apportionment of Costs

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources. Grants offered subject to conditions which have not been met at the year-end date are noted as a commitment but not accrued as expenditure.

Taxation

The Foundation is exempt from corporation tax on its charitable activities. The Foundation is not registered for VAT and all input VAT is irrecoverable.

Fund Accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the Trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

		Year ended 31 March 2016	Period ended 31 March 2015
		£	**£**
2.	**DONATIONS & LEGACIES**		
	Donation from Ayrshire College	-	6,611,000
3.	**INVESTMENT INCOME**		
	Bank account interest	**52,882**	48,284

		Year ended 31 March 2016	Period ended 31 March 2015
4.	**GRANTS PAYABLE**	**£**	**£**
	The total grants paid during the period were as follows:		
	Ayrshire College	**2,250,000**	312,797
	Mission Discovery (ISSET)	**48,000**	-
		2,298,000	312,797
	Grants payable (see note 12)		
5.	**CHARITABLE ACTIVITIES COSTS**		
	Administrative expenses	**6,750**	5,400
	Other costs	**842**	580
		7,592	5,980
	These costs include applicable, and irrecoverable, VAT.		
6.	**SUPPORT COSTS - GOVERNANCE**		
	Legal and professional fees	**17,126**	20,037
	Auditors' remuneration	**4,208**	3,400
		21,334	23,437
	These costs include applicable, and irrecoverable, VAT.		
7.	**NET INCOME/(EXPENDITURE)**		
	Net resources are stated after charging/(crediting):		
	Auditors' remuneration	**4,208**	3,400
8.	**TRUSTEES' REMUNERATION AND BENEFITS**		
	There were no Trustees' remuneration or other benefits for the period ended 31 March 2016		
	TRUSTEES'EXPENSES		
	There were no Trustees' expenses paid for the period ended 31 March 2016		
9.	**DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**		
	Accrued interest income	**13,372**	12,724
	Prepayments	**-**	808
		13,372	13,532
10.	**CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**		
	Accrued expenses	**10,500**	7,610
11.	**MOVEMENT IN FUNDS**		
	As at 1 April 2015	**6,317,070**	-
	Movement in year	**(2,274,044)**	6,317,070
	As at 31 March 2016	**4,043,026**	6,317,070

MOVEMENT IN FUNDS - continued

Net movements in funds, included in the above are as follows:

	Incoming Resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	52,882	(2,326,926)	(2,274,044)
TOTAL FUNDS	52,882	(2,326,926)	(2,274,044)

12. COMMITMENTS

The Foundation, by 31 March 2016, has approved grant applications in respect of four projects as noted below:

1. *Ayrshire College: Campus Refurbishment*
   This application was approved in February 2015 for a maximum amount of £3,042,265. As shown in Note 4, a cumulative total of £2,562,797 has been paid to the College and it is anticipated that a further, final, payment of **£89,469** will be made in 2016-17.

2. *Ayrshire College: Graduation / Celebrations of Success*
   This application was approved in August 2015 for a maximum amount of £50,000. No payments had been made by March 2016 against this project. Costs are now expected to be less than £50,000 and it is anticipated that final payments of **£40,000** will be made in 2016-17.

3. *Mission Discovery (ISSET)*
   This application was approved in November 2015 for a maximum amount of £109,800. As shown in Note 4, a cumulative total of £48,000 has been paid to ISSET and it is anticipated that further, final, payments of **£61,800** will be made in 2016-17.

4. *Ayrshire College Students Association: West Coast Varsity*
   This application was approved in March 2016 for a maximum amount of £7,500 No payments had been made by March 2016 against this project. It is anticipated that payments of **£7,500** will be made in 2016-17.

In summary, therefore, the Foundation has commitments to pay up to £198,769 in 2016-17 in respect of these four projects. Further details on all projects noted above are available on the Ayrshire College Foundation website: http://www.ayrshirecollegefoundation.org.uk/

13. POST BALANCE SHEET EVENTS

Investment of Foundation Funds

Advised by Munro Partnership, the Foundation invested £500,000 of its funds in a portfolio of stocks and shares, administered by Brooks MacDonald, in May 2016. The purpose of this investment is to diversify the Foundation's reserves, previously entirely held as cash deposits, with the possibility of investment returns higher than the modest interest rate income currently available.