

Registered number: 05639379
Charity number: 1118372

Blue Sky Development and Regeneration
(A company limited by guarantee)

Trustees' report and financial statements
for the year ended 31 March 2014



Blue Sky Development and Regeneration
(A company limited by guarantee)

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Blue Sky Development and Regeneration
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Reference and administrative details of the charity, its trustees and advisers
for the year ended 31 March 2014

Trustees

Ronald Sheldon, Co-opted trustee, Chair
Jennifer Bradley, Nominated trustee, Vice Chair
John Anthony Dickenson, Co-opted trustee
Andrew Fleming-Williams, Co-opted trustee (deceased 6 June 2014)
David Gold, Co-opted trustee
John Kennedy, Nominated trustee (resigned 19 August 2013)
Daniel Knottenbelt, Nominated trustee
Robert Morley, Nominated trustee
David Riddle, Co-opted trustee
Simon Woolton, Co-opted trustee
Andrew Wylie, Co-opted trustee

Company registered number

05639379

Charity registered number

1118372

Registered office

The Colne Valley Park Centre
Denham Court Drive
Denham
Uxbridge
UB9 5PG

Company Secretary

Geetha Saba-Nathan

Senior Management Team

Michael May, Founder & Chief Executive Officer
Andrea McCubbin, Chief Operating Officer
John Chesters, Commercial Development Director
Stephen Finn, Teams Director
Geetha Saba-Nathan, Financial Controller
Carwyn Gravell, Head of Fundraising

Independent auditors

Reeves & Co LLP
Chartered Accountants
Statutory Auditors
Third Floor
24 Chiswell Street
London
EC1Y 4YX

Blue Sky Development and Regeneration
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Reference and administrative details of the charity, its trustees and advisers
for the year ended 31 March 2014

Advisers (continued)

Bankers

CAF Bank Limited
25 Kings Hill Avenue
Kings Hill
West Malling
ME19 4JQ

HSBC Bank PLC
31 St Peter's Court
High Street
Chalfont St Peter
SL9 9QQ

Solicitors

Bates Wells & Braithwaite
2-6 Cannon Street
London
EC4M 6YH

Blue Sky Development and Regeneration
(A company limited by guarantee)

Trustees' report
for the year ended 31 March 2014

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of Blue Sky Development and Regeneration (the charity) for the year ended 31 March 2014. The Trustees confirm that the Annual report and financial statements of the charity comply with the current statutory requirements, the requirements of the charity's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

The company was incorporated on 29 November 2005 as a company limited by guarantee and was registered with the Charity Commission on 14 March 2007.

Structure, governance and management

● **Structure of the Charity**

It is a charity and a company limited by guarantee. The governing documents are its Memorandum and Articles of Association which were agreed on 29 November 2005 at which point it was established as a company limited by guarantee and amended at an Extraordinary General Meeting dated 11 December 2006, at which point it then became a charity. On 11 October 2011 the charitable area was extended to include Scotland.

● **The Member(s) of the Charity**

The Charity was established with one founder member, The Groundwork South Trust Limited ("Groundwork South Trust").

● **Induction and Training**

Trustees are appointed by a majority vote at Trustee meetings.

Members of the Board of Trustees receive Governance Training from the Chairman of Blue Sky's Finance & Audit Sub Group on the roles and responsibilities of a Trustee.

The Trustees delegate the day to day running of the charity to the senior management team who report to the Trustees at their quarterly sub group meetings.

● **Related party transactions**

The Charity has considered the disclosure requirements of the SORP and believes that there are no related party transactions except for those between itself and its parent undertaking Groundwork South Trust, which are not required to be disclosed under the provisions of Financial Reporting Standard Number 8.

● **Risk assessment and management**

The Board fully accept its responsibilities under the Charity Commission's Statement of Recommended Practice (SORP) for ensuring that the major risks to which the charity is exposed are identified and reviewed, and that there are systems in place to mitigate them. Major risks are those that have a high probability of occurring, and would if they occurred, have a severe impact on either operational performance or achievement of purposes, or could damage either the Charity's or the reputations of its founder member.

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Trustees' report (continued)
for the year ended 31 March 2014

The Charity recognises that risk management is an essential part of good business practice and an effective mechanism of good governance. The Board is committed to ensuring that risk management processes are embedded throughout the Charity, and that these processes are used to help identify at an early stage issues that affect performance or achievement of purposes. However, the Board recognises that a risk management system can only seek to manage rather than eliminate risk, and that it should therefore be only one of the tools that the Board uses to provide effective control and management of the administration of the charity.

As a result of the implementation of the Charity's Risk Management Policy, the Board has concluded that the major risks to which the Charity is exposed have been identified and have been reviewed, and that systems are established to mitigate those risks in accordance with the Charity Commission's Statement of Recommended Practice.

Objectives and Activities

• **Policies and objectives**

All Trustees give their time freely. Though this year the Treasurer of the charity assisted on an ad-hoc basis to provide support to the Financial Controller. Details of Trustee expenses and related party transactions are disclosed in notes 11 and 19 to the accounts. Trustees are required to disclose all relevant interests and register them with the Chief Executive Officer and in accordance with the charities policy withdraw from decisions where a conflict of interest arises.

The Trustees confirm that they have referred to the guidance obtained in the Charity Commission's general guidance on the public benefit when reviewing the Charity's aims and objectives and in planning future activities for the year.

The Charity was founded to provide employment opportunities for ex offenders with the long term aim of helping to break the cycle of re offending.

Its objectives as set down within its Memorandum and Articles of Association are:

-
- to promote in England, Scotland and Wales, the care, resettlement and rehabilitation of offenders, ex-offenders and those at risk of offending, and to support their families and dependants, in particular (but without prejudice to the generality) by providing, promoting, supporting or organising the recruitment, employment, education and training of offenders, ex-offenders and those at risk of offending, and to assist them in finding employment and accommodation and in rehabilitating themselves;
 - to promote in England, Scotland and Wales the prevention of crime and social exclusion by supporting or carrying on either alone or in co-operation with any other body, authority or person any project or scheme and by providing money for such purposes whether by loan or otherwise;
 - to promote the conservation, protection and improvement of the physical and natural environment in England, Scotland and Wales;
 - to provide facilities in the interests of social welfare for recreation and leisure time occupation with the objective of improving the conditions of life for the general public in England, Scotland and Wales;
 - to advance public education in environmental matters and other ways of better conserving, protecting and improving the same wheresoever;
 - to promote the efficiency and effectiveness of charities in the direct furtherance of their objects (or any one of them) by the provision of information, advice and support.

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Trustees' report (continued)
for the year ended 31 March 2014

• **Strategies for achieving objectives**

The following strategies were put in place to achieve the identified objectives:

1. To build up the commercial income base of the charity by marketing to local authorities, housing associations and their grounds maintenance or waste and recycling contractors and to other private, public and voluntary sector concerns with similar service requirements including those within the catering sector and prison industries. The more work on the books of the Charity the more individual employment activities could be offered to ex-offenders.
2. To develop and recruit competent supervisors to oversee the ex-offenders and to ensure quality standards are met.
3. To develop training opportunities both within and outside of the Charity to meet identified skills gaps.
4. To identify and work with employers in the public, private and voluntary sectors to identify employment requirements and skills gaps within their ranks and thereby to provide employment opportunities for our ex-offender employees.
5. To build into the operational processes of the Charity rigour in both finance and governance.
6. To initiate conversations with a range of funding organisations, charitable trusts and venture philanthropists, to ensure that the Charity has sufficient income in addition to that generated from its commercial activities.

Achievements and performance

• **Objectives for the year**

As set out in the last Trustees' Report the charity identified as objectives for the year to 31 March 2014, with the results set out alongside:-

Area of Activity

Ex-offender Recruitment & Employment

1. To provide employment opportunities through 6 month contracts to ex-offenders as a bridge to sustained jobs.
2. To work with the ex-offender employees to ensure that there are onward employment opportunities available to them and that no less than 40% of all departing employees leave to onward employment.
3. To ensure that the re-offending rate amongst alumni never exceeds 20%, with a target of 15%.
4. To ensure that a minimum of 2/3 of all 6 month employees who remain employed beyond 3 months receive accredited training.
5. To provide help with housing issues by lending money against employees' wages to fund the deposit on private rented accommodation.
6. To grow employment and training in prison and provide through the gate support through the Blue Sky Inside project.

Outcomes

1. Blue Sky generated 120 job starts in the community across both public and private sectors and a further 54 were employed in two prisons by our Blue Sky Inside project. The Manchester franchise created a further 13 job starts.
2. At 31/3/2014 40% of all leavers (incl. from franchise operations) had moved onto onward employment.
3. Re offending rate for the year was in line with targeted levels.
4. Cumulatively 60% employees who had completed more than 6 weeks with Blue Sky received training

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Trustees' report (continued)
for the year ended 31 March 2014

5. In the year 14 employees were able to access a non-recourse principal only loan to stabilise their housing situation
6. Cumulatively the Blue Sky Inside project has employed 94 inmates inside 2 prisons. Of those employees we were able to support through the gate (i.e. they were not transferred elsewhere within the prison estate) 32% moved into paid employment and 39% were given help with housing.

Operational Sustainability

1. To ensure that sufficient work exists to provide the recruitment identified above.
2. To ensure that sufficient work opportunities exist outside Blue Sky's core area of operation to project a national reach by the establishment of Blue Sky North as a joint venture between GW Manchester and Blue Sky.
3. To seek out opportunities for growth by penetration into multinational & other private sector supply chains.

Outcomes

1. New contracts have been secured in grounds maintenance, waste and catering and Blue Sky has also diversified into the private sector with its first distribution and logistics contract for a leading clothing retailer. The Blue Sky Inside project continues to provide employment opportunities for men and women and has opened a second manufacturing activity in a mens' prison producing wooden board games offering a 'through the gate' model of support.
2. Building on the success of our franchise with Groundwork Manchester and funded by the European Social Fund, managed by NOMS CFO, we will continue to explore the expansion of Blue Sky's coverage to include the North of England through a consortium approach.
3. Our partnership with the RBLI in Medway employing ex military personnel to deliver grounds maintenance continued to expand last year with placements of teams in various locations in the South East.

Financial Sustainability

- 1 To increase the income from commercial businesses in order to weather the adverse financial climate.
2. To increase the operating performance of each commercial contract.
3. To develop additional non-commercial sources such as Government commissioned income.

Outcomes

1. The charity has continued to return a surplus which stands at £47,116 for this financial year, inspite of a small decline in commercial income.
2. We continue to monitor performance of each contract and have addressed the issues on poorer performing contracts in order to reduce the losses. The new contracts are priced to generate positive contributions.
3. Over the course of this financial year we have employed 32 people through the Work Programme with the total to date of 85. Looking to the future we anticipate being able to negotiate contracts with tier 1 providers looking to bid for Transforming Rehabilitation contracts currently being commissioned by the MoJ.

● **Going concern**

After making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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Trustees' report (continued)
for the year ended 31 March 2014

Plans for the future

• **Objectives for the forthcoming year**

Over the year to 31 March 2015 the Charity has set itself the following targets:

Area of Activity

Ex offender Recruitment & Employment

1. To provide employment opportunities through 6 month contracts to ex offenders as a bridge to sustained jobs
2. To work with the ex offender employees to ensure that there are onward employment opportunities available to them and that no less than 40% of all departing employees leave to onward employment.
3. To ensure that the re offending rate amongst alumni never exceeds 20%, with a target of 15%
4. To ensure that a minimum of 2/3 of all 6 month employees who remain employed beyond 3 months receive accredited training
5. To provide help with housing issues by lending money against employees' wages to fund the deposit on private rented accommodation
6. To grow employment and training in prison and provide through the gate support through the Blue Sky Inside project

Operational Sustainability

1. To ensure that sufficient work exists to provide the recruitment identified above
2. To ensure that sufficient work opportunities exist outside Blue Sky's core area of operation to develop our national reach through continued progression of Blue Sky North and any other opportunities that may arise in the future.
3. To seek out opportunities for continued growth by penetration into multinational & other private sector supply chains.

Financial Sustainability

1. To increase the income from commercial businesses to develop our portfolio and decrease the risk of trading with a limited number of clients in a few sectors.
2. To increase the operating performance and margins of each commercial contract
3. To develop additional non-commercial sources such as Government commissioned income, especially through Transforming Rehabilitation contracts.

• **Future developments.**

The Charity is actively seeking a merger partner to ensure long term stability of its charitable activities. The Trustees have opened discussions with a potential partner in order to unlock synergies and future opportunities. As at the date of signing these accounts, no changes or decisions to the company member have been agreed.

Financial review

The Statement of Financial activities for the year is set out on page 12 of the Financial Statements.

The Charity's income for the period was £1,648,040 in addition the Charity returned a surplus of £47,116.

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Trustees' report (continued)
for the year ended 31 March 2014

• **Principal funding sources**

The major sources of funding during the year were Local Authorities and the private sector for our commercial contracts. We also received many grants from Charitable Foundations and Trusts for which we would like to express our gratitude and appreciation.

Funders in the year included: The Banham Foundation, The Charles Hayward Foundation, The City Bridge Trust, The City and Metropolitan Welfare charity, The Drapers' Charitable Fund, The Doris Field Charitable Trust, The Henry Smith Charity, Hiscox Ltd, The Impetus Trust, The Ian Askew Charitable Trust, J Leon Charitable Fund, J Paul Getty Jnr Charitable Trust, John Armitage Charitable Trust, Kent Community Foundation, The Leathersellers' Company Charitable Fund, The MacRoberts Trust, The Monument Trust, The Oak Foundation, The Odin Charitable Trust, The Pilgrims Trust, The Rank Foundation, The Schroder Foundation, WF Southall Trust, The Trust for London, The Volant Charitable Trust, The Woodward Charitable Trust and Wolseley- Hughes Charitable Trust.

The expenditure of these grants has supported the objectives listed previously, including the care, resettlement and rehabilitation of offenders, ex offenders and those at risk of offending.

• **Reserves policy**

The Board agreed that a reasonable level of unrestricted reserves is required for the following reasons:

- To absorb short term setbacks such as loss or delays in funding.
 - To finance working capital needs, such as delays in receipts and to fund the time delays between developing projects, obtaining approval and funds being received.
 - To cover the working capital required to fund the usual retrospective nature of the programme funding which can result in considerable timing differences between expenditure and receipt of funds.
 - To cover the cost of investing in staff training and development to develop new and improved services for the company.
 - To cover the cost of developing new services, such as communications, research and quality and business information systems.
 - To set aside funds for appropriate capital assets such as horticultural equipment.
 - To provide funding to cover any unforeseen downturn in activity, allowing alternative activity to be generated and/or a planned down sizing of activity.
-

The above need for reserves has to be balanced against the following factors:

- The need to be seen to act as a responsible charity by central Government, our sponsors and the Charity Commission
- The need to avoid the accusation of creating excessive surpluses (profiteering) and accumulating large surpluses (hoarding) for which there is no future planned requirement or that bear no relation to the charitable aims

In order to provide sufficient working capital the Board shall aim to retain a minimum amount of free reserves of net current assets equivalent to 3 months administrative salary costs and office related expenditure, and 1 months supervisor salary costs. The current reserves exceed the minimum required level for the financial year ending 31st March 2014.

The reserves will be reviewed by the Board each year and any shortfall will be addressed in the business planning for subsequent periods.

Auditor

Reeves & Co LLP were appointed auditors to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Blue Sky Development and Regeneration
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Trustees' report (continued)
for the year ended 31 March 2014

Trustees' responsibilities statement

The Trustees (who are also directors of Blue Sky Development and Regeneration for the purposes of company law) are responsible for preparing the Trustees' 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 Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 Trustees are required to:

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

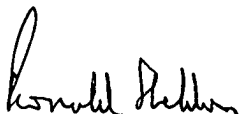
Disclosure of information to auditor

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information.

In preparing this report, the Trustees have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Trustees on 18/9/14 and signed on their behalf by:



Ronald Sheldon, Chair

Blue Sky Development and Regeneration
(A company limited by guarantee)

Independent auditors' report to the members of Blue Sky Development and Regeneration

We have audited the financial statements of Blue Sky Development and Regeneration for the year ended 31 March 2014 set out on pages 12 to 22. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charity 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.

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 charity'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 Trustees' report 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 charity's affairs as at 31 March 2014 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 applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

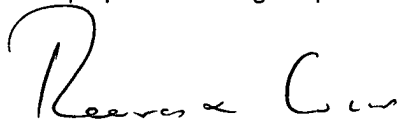
Blue Sky Development and Regeneration
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Independent auditors' report to the members of Blue Sky Development and Regeneration

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 requires 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 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 to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Trustees' report.



Peter Hudson BA FCA (Senior statutory auditor)
for and on behalf of

Reeves & Co LLP
Chartered Accountants
Statutory Auditors
Third Floor
24 Chiswell Street
London
EC1Y 4YX

Date: 18 Sep 2014

Blue Sky Development and Regeneration
(A company limited by guarantee)

Statement of financial activities
(incorporating income and expenditure account)
for the year ended 31 March 2014

	Note	Restricted funds 2014 £	Unrestricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Incoming resources					
Incoming resources from generated funds:					
Investment income	2	-	4,574	4,574	1,388
Incoming resources from charitable activities	3	267,159	1,373,149	1,640,308	1,652,432
Other incoming resources		-	3,158	3,158	28,174
Total incoming resources		267,159	1,380,881	1,648,040	1,681,994
Resources expended					
Costs of generating funds:					
Costs of generating voluntary income	4	-	4,596	4,596	3,987
Charitable activities		267,159	1,324,362	1,591,521	1,619,442
Governance costs	6	-	4,807	4,807	4,650
Total resources expended	9	267,159	1,333,765	1,600,924	1,628,079
Movement in total funds for the year - Net income for the year		-	47,116	47,116	53,915
<i>Total funds at 1 April 2013</i>		<i>-</i>	<i>180,623</i>	<i>180,623</i>	<i>126,708</i>
Total funds at 31 March 2014		-	227,739	227,739	180,623

The notes on pages 14 to 22 form part of these financial statements.

Blue Sky Development and Regeneration
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Registered number: 05639379

Balance sheet
as at 31 March 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	12		18,673		7,547
Current assets					
Debtors	13	128,553		146,662	
Cash at bank and in hand		500,924		624,424	
		<u>629,477</u>		<u>771,086</u>	
Creditors: amounts falling due within one year	14	<u>(420,411)</u>		<u>(598,010)</u>	
Net current assets			<u>209,066</u>		<u>173,076</u>
Net assets			<u>227,739</u>		<u>180,623</u>
Charity Funds					
Unrestricted funds	15		<u>227,739</u>		<u>180,623</u>
Total funds			<u>227,739</u>		<u>180,623</u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Trustees on 18 September 2014 and signed on their behalf, by:



Ronald Sheldon, Chair

The notes on pages 14 to 22 form part of these financial statements.

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Notes to the financial statements
for the year ended 31 March 2014

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, applicable accounting standards and the Companies Act 2006.

1.2 Company status

The charity is itself a subsidiary charity and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

1.4 Incoming resources

All incoming resources are included in the Statement of financial activities when the charity has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Donated services or facilities, which comprise donated services, are included in income at a valuation which is an estimate of the financial cost borne by the donor where such a cost is quantifiable and measurable. No income is recognised where there is no financial cost borne by a third party.

Income or grants received in advance are held in deferred income, either as part of unrestricted or restricted funds, and carried forward to future accounting periods to be released when measurable stages of work have been completed, approved or certified. Any grants restricted to future accounting periods are deferred and recognised in those accounting periods.

Income received from goods supplied are exclusive of VAT and are charged at the market rate for that good. The goods supplied are dust bags, jewellery bags, table runners, and board games produced as a result of the Blue Sky Inside project.

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Notes to the financial statements
for the year ended 31 March 2014

1. Accounting policies (continued)

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management carried out at Headquarters. Governance costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

1.6 Cash flow

The financial statements do not include a Cash flow statement because the charity, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.7 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles - Straight line basis over 3 years

1.8 Leasing and hire purchase

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

1.9 Pensions

The charity operates a group personal pension scheme (run under defined contribution arrangements) and the pension charge represents the amount payable by the charity to the fund in respect of the year.

2. Investment income

	Restricted funds 2014 £	Unrestricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Investment income	-	4,574	4,574	1,388

Blue Sky Development and Regeneration
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Notes to the financial statements
for the year ended 31 March 2014

3. Incoming resources from charitable activities

	Restricted funds 2014 £	Unrestricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Grant income	267,159	558,548	825,707	757,999
Project income	-	814,601	814,601	894,433
	<u>267,159</u>	<u>1,373,149</u>	<u>1,640,308</u>	<u>1,652,432</u>

Included within income received for charitable activities are the following grants:

	2014 £	2013 £
Central Government	107,745	60,184
Charitable Foundations and Trusts	634,259	647,270
Private sector	83,703	50,545
Total	<u>825,707</u>	<u>757,999</u>

4. Costs of generating voluntary income

	Restricted funds 2014 £	Unrestricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Fundraising and publicity costs	-	4,596	4,596	3,987

5. Expenditure by charitable activity

Summary by fund type

	Restricted funds 2014 £	Unrestricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Charitable activities	267,159	1,324,362	1,591,521	1,619,442

Summary by expenditure type

	Other costs 2014 £	Total 2013 £
Charitable activities	1,591,521	1,619,442

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6. Governance costs

	Restricted funds 2014 £	Unrestricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Auditors' remuneration	-	4,807	4,807	4,650

7. Direct costs

	Charitable Activities 2014 £	Total 2013 £
Staff costs	711,714	794,071
Project costs	185,206	230,070
Temporary staff and consultants	-	3,538
Recruitment and training	18,397	5,069
Transport and travel	34,042	42,378
	949,359	1,075,126

8. Support costs

	Charitable Activities 2014 £	Total 2013 £
Staff costs	520,591	463,638
Temporary staff and consultants	29,020	-
Administration	19,715	19,049
Communication and IT	16,811	15,374
Professional fees	36,824	16,466
Other	4,998	6,831
Finance costs	1,397	10,466
Accommodation	12,806	12,492
	642,162	544,316

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9. Analysis of resources expended by expenditure type

	Other costs 2014 £	Total 2013 £
Costs of generating voluntary income	4,596	3,987
Costs of generating funds	4,596	3,987
Charitable activities	1,591,521	1,619,442
Governance	4,807	4,650
	1,600,924	1,628,079

10. Net income

This is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the charity	12,227	6,480
Auditors' remuneration	4,807	4,650

During the year, no Trustees received any remuneration (2013 - £NIL).

During the year, one Trustee received £620 for consultancy services provided (2013 - £2,806).

During the year, Trustees received £410 for reimbursement of expenses (2013 - £289).

11. Staff costs

For the year ended 31 March 2014, the Charity employed an average of 16 permanent employees (2013: 17) in full-time capacity. In addition, for the year ending 31 March 2014, the Charity employed on Intermediate Labour Market contracts an average of 42 individuals (2013: 46).

The number of higher paid employees was:

	2014 No.	2013 No.
In the band £60,001 - £70,000	1	1

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for the year ended 31 March 2014

	2014 £	2013 £
Wages and salaries	1,119,631	1,144,382
Social security costs	80,578	83,751
Pension	32,096	29,576
	<hr/>	<hr/>
Total	1,232,305	1,257,709
	<hr/>	<hr/>

Pension contributions paid into group personal pension schemes (run under defined contribution arrangements) amounted to £32,096 (2013: £29,576) during the period.

12. Tangible fixed assets

	Motor vehicles £
Cost	
At 1 April 2013	19,425
Additions	23,353
	<hr/>
At 31 March 2014	42,778
	<hr/>
Depreciation	
At 1 April 2013	11,878
Charge for the year	12,227
	<hr/>
At 31 March 2014	24,105
	<hr/>
Net book value	
At 31 March 2014	18,673
	<hr/>
At 31 March 2013	7,547
	<hr/>

13. Debtors

	2014 £	2013 £
Trade debtors	116,591	105,057
Other debtors	2,974	319
Prepayments and accrued income	8,988	41,286
	<hr/>	<hr/>
	128,553	146,662
	<hr/>	<hr/>

Blue Sky Development and Regeneration
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Notes to the financial statements
for the year ended 31 March 2014

14. Creditors:
Amounts falling due within one year

	2014 £	2013 £
Other loans	-	50,000
Trade creditors	26,072	40,596
Amounts owed to group undertakings	3,220	5,616
Other taxation and social security (see below)	31,229	43,356
Other creditors	11,449	7,658
Accruals and deferred income (see below)	348,441	450,784
	<u>420,411</u>	<u>598,010</u>

Other taxation and social security

	2014 £	2013 £
PAYE/NI control	20,703	21,231
VAT control	10,526	22,125
	<u>31,229</u>	<u>43,356</u>

Deferred income

	2014 £	2013 £
Deferred income at 1 April	430,365	453,814
Income received in year	513,339	614,760
Credit to Statement of Financial Activities	(633,758)	(638,209)
	<u>309,946</u>	<u>430,365</u>

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Notes to the financial statements
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15. Statement of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Carried Forward £
Unrestricted funds				
Unrestricted funds	180,623	1,380,881	(1,333,765)	227,739
Restricted funds				
Employee training	-	10,032	(10,032)	-
Salary costs	-	243,249	(243,249)	-
Equipment purchase	-	12,790	(12,790)	-
Housing deposit	-	1,088	(1,088)	-
	-	267,159	(267,159)	-
Total of funds	180,623	1,648,040	(1,600,924)	227,739
Summary of funds				
	Brought Forward £	Incoming resources £	Resources Expended £	Carried Forward £
Unrestricted funds	180,623	1,380,881	(1,333,765)	227,739
Restricted funds	-	267,159	(267,159)	-
	180,623	1,648,040	(1,600,924)	227,739

The purpose of each restricted fund is to ensure that the funding is spent on specific projects or salaries designated by the funder.

We received funding to cover specific positions across the activities of the charity. All money in relation to this year has been used to cover salary costs.

Further funding has been received in the year to help the employees with housing needs towards a deposit as part of our housing loan scheme that started in the year. Additional funding was received specifically towards our Victor project to help veteran ex-offenders with their training and resettlement.

In addition to the balance brought forward to cover specific employee training costs, numerous grants have been received from smaller local funders in the year to enhance the training of employees on specific projects. We also received funding for vehicles and equipment purchases which helped with the skills development of our employees.

The Blue Sky Inside project attracted restricted funding of £104,000 in the year towards workshop and admin salary costs, employability support and housing advice. All included in salary costs above.

All unspent monies were deferred to the next financial year as per the funder restrictions.

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Notes to the financial statements
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16. Analysis of net assets between funds

	Restricted funds 2014 £	Unrestricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Tangible fixed assets	18,673	-	18,673	7,547
Current assets	161,303	468,174	629,477	771,086
Creditors due within one year	(179,976)	(240,435)	(420,411)	(598,010)
	<u>-</u>	<u>227,739</u>	<u>227,739</u>	<u>180,623</u>

17. Operating lease commitments

At 31 March 2014 the charity had annual commitments under non-cancellable operating leases as follows:

	2014 £	2013 £
Expiry date:		
Between 2 and 5 years	<u>9,372</u>	<u>9,372</u>

18. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standards Number 8 paragraph 3(a)-(b) from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

19. Ultimate parent undertaking and controlling party

The ultimate parent company is The Groundwork South Trust Limited, a company registered in England and Wales, company number 01982077 and charity number 293705.

The Groundwork South Trust Limited prepares group financial statements and copies can be obtained from Denham Court Drive, Denham, Uxbridge UB9 5PG.

The parent undertaking of the largest and smallest group of which Blue Sky Development and Regeneration is a member and for which group accounts are prepared is The Groundwork South Trust Limited, incorporated in England and Wales.

20. Principal subsidiaries

Blue Sky Development and Regeneration is the sole member of the following entities which are Limited by guarantee:

Company name	Country	Description
Blue Sky Inside Limited	England and Wales	Dormant
Blue Sky North Limited	England and Wales	Dormant