

AVENUES EAST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

Charity Registration Number: 1061241

Company Registration Number: 03326442

AVENUES EAST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Index	Page
Board members and executive directors	1
Board members' report and strategic report	2 - 8
Statement of Trustees' responsibilities	9 - 10
Independent auditor's report	11 - 12
Statement of financial activities	13
Balance sheet	14
Principal accounting policies	15 - 17
Notes to the financial statements	17 - 27

AVENUES EAST

Reference and administrative details of the charity, its advisors and trustees

Board Members

Chairman:	Graham Walker
Nicholas Dodd	(To March 2017)
Jeffrey Gritzman	(From March 2017)
Pamela Nicholson	
Martin Owen	(From March 2017)
Mark Pittaway	(From March 2017)
Howard Pugh	
David Taylor	
Caroline Tuohy	
Susan Vaughan-Williams	

Executive Trustees:

Steve James	Group Chief Executive
Peter Snelling	Group Chief Operating Officer

Key Management Personnel

Paul Attrill	Regional Manager
Brenda McLoughlin	Regional Manager
Joanne Land	Group Deputy Chief Executive
Alan How	Group Director of Finance (To June 2017)
Nicola Ford	Group Director of Finance (From August 2017)
Lauren Osman	Company Secretary

CHARITY REGISTRATION NUMBER	1061241
COMPANY REGISTRATION NUMBER	03326442

Registered Office River House, 1 Maidstone Road, Sidcup, Kent DA14 5TA

Advisors

Bankers: Barclays Bank PLC, One Churchill Place, Canary Wharf, London E14 5HP

Independent auditor: RSM UK Audit LLP, 25 Farringdon Street, London EC4A 4AB

Solicitors: Hempsons, 40 Villiers Street, London WC2N 6NJ; Doyle Clayton, House Level 10, One Canada Square, London E14 4AB

AVENUES EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The Board presents herewith its Annual Report and the audited financial statements of Avenues East for the year ended 31 March 2017. The legal and administrative information set out on Page 1 forms part of this report. The Financial Statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the Companies Act 2006 and Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard (FRS 102) applicable in the UK and in the Republic of Ireland (effective January 2015).

Introduction

The Avenues East accounts for 2017 and the 2016 comparative figures are constructed in line with best practice, as set out above. Compliance with best practice extends to the need to address the "public benefit" provided by Avenues East.

Structure, Governance and Management

Structure

Avenues East is a charitable company limited by guarantee and was incorporated in England and Wales on 3 March 1997. The company was established under a Memorandum of Association which established the objects and powers of the charitable company, which is governed under its Articles of Association. In the event of the company being wound up, members are required to contribute an amount not exceeding £1.

Following a group restructure in April 2013, Avenues East was adopted as the new legal name of the organisation by its members. Members also adopted a new set of Articles which changed the Objects to enable the organisation to change its Board to a unitary structure, enabling two executives to become trustees.

Avenues East is a subsidiary of The Avenues Trust Group, which is a registered charity and constituted as a company limited by guarantee. The Board of Avenues East is made up of one members of The Avenues Trust Group, eight (formerly seven) independent trustees who have no connection with the Avenues Group and two Executive Trustees. The members of the Board, who for the purposes of charity/company law are the trustees/directors of the charity/company, are approved by the parent company, The Avenues Trust Group. The relevant details are as follows:

AVENUES EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

- Member of The Avenues Trust Group: Graham Walker
- Independent trustees: Jeffrey Gritzman, Pamela Nicholson, Martin Owen, Mark Pittaway, Howard Pugh, David Taylor, Caroline Tuohy, Susan Vaughan-Williams
- Executive Trustees: Steve James, Peter Snelling

The key management personnel are Paul Attrill and Brenda McLoughlin, the Regional Managers, supported by Joanne Land and Nicola Ford (Group Deputy Chief Executive and Group Director of Finance).

Governance

The Board members are set out on Page 1.

The Board meets four times a year and is responsible for ensuring successful operational performance, in line with the strategic expectations of the Group Board. The Group Board has sub-committees for audit and for remuneration and is about to create a new sub-committee for finance.

Policies and procedures are in place for the induction and training of new trustees, together with arrangements for setting the benchmarks for management remuneration.

Public Benefit

Avenues East supports people who have learning disabilities, dementia, or acquired brain injury alongside behaviour that challenges, or complex needs. Avenues East works with children aged nine and over, adolescents and adults of all ages. Avenues East provides support in community-based settings, including supported living, outreach and residential care.

The organisation wants everyone to have the opportunity to be an active citizen and to be engaged in the community where they live.

Avenues East wants the people it supports to enjoy life. It takes a positive approach, making sure people are safe while encouraging them to fulfil their potential and to live as independently as possible.

Often, Avenues East starts supporting people when their life is changing and circumstances may be difficult – for example moving on from hospital, residential care or education or after a previous placement has broken down.

Avenues East has expertise in reducing behaviour that challenges, so that people are able to live in the least restrictive way possible. That will mean something different depending on the person or the stage of their life, whether it's supporting a child so that a parent can take a break or supporting someone with dementia so that they can continue living at home.

The approach incorporates person-centred active support and positive behaviour support.

AVENUES EAST

BOARD MEMBERS REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

Quality is of paramount importance to Avenues East. The services are regulated by the Care Quality Commission and staff carry out regular monitoring to promote continuous improvement.

The support is personalised and consistent. Staff take time to get to know people, supporting them to do things differently or for the first time so that our staff work out what matters to people and what they enjoy. Person-centred active support means that plans and strategies are in place and are the basis of how the staff work with someone.

At Avenues East, people come to work with a purpose: they are committed to making a difference for the people whom they support. The support workers are selected based on aptitude and regardless of previous experience, complete essential training and specialist courses according to the needs of the people whom they are supporting. Avenues East uses the mix of skills and interests in the support workers so, where possible, they support someone with shared interests.

Strategy

The strategic direction of Avenues East is defined in the context of being a key part of the Avenues Group. As an increasingly "lean" group organisation, the focus will be increasingly on improving the quality of individual support by increasing the involvement of the people who are supported. Moreover, there will be a greater investment in Positive Behavioural Support as a further commitment to quality of service.

Risk Management

The Board operates a formal risk management process and risk register consistent with Group processes, which involves continuous review of the risks identified and those emerging, their potential impact and means of mitigation. The risk register is reviewed by the group Audit Committee, which, in turn, reports on risk to the Group Board on a quarterly basis.

The key risk identified in 2016, relating to the potential re-tendering of services in Suffolk, did not materialise. There is no equivalent risk at this time. The national issue on "sleep-ins" is being handled at a group level: actions have been taken to mitigate the risks, reflecting best professional advice at this time.

AVENUES EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

OBJECTIVES AND ACTIVITIES

The charitable objects of Avenues East are for the public benefit as they support and promote the intellectual, emotional, physical and spiritual welfare of children, young people, elderly people and adults with learning disabilities, special needs, physical disabilities, sensory impairments, mental illness and mental health needs. This is achieved by providing professional, high quality, not-for-profit support services to people with complex or challenging needs, supporting them to enjoy their lives within their communities.

The governing instrument for Avenues East is the Articles of Association.

In considering the organisation's objectives and activities, the Trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission. This is reflected in the *Public Benefit* element in the previous section.

ACHIEVEMENTS AND PERFORMANCE

The ongoing discussions with Suffolk County Council continued throughout the last financial year. Fortunately, there was no further reduction in the support fees. Despite suggestions from Suffolk that they would seek to end funding of case management, payment continued for the service for the whole of the year. Growth in the Suffolk region was minimal, with a small increase in outreach clients.

The Acquired Brain Injury (ABI) services received their first two Continuous Health Care funded clients. Historically, Norfolk and Suffolk Foundation Trust have not commissioned support packages from Avenues East's ABI service, so this was a practical achievement.

Shropshire continued to go from strength to strength, with the commencement of three sizeable support packages; this included the first Learning Disability client in Shropshire. Growth in the region has put Avenues in a better position to improve the management structure.

In relation to Suffolk Learning Disability services, further well documented funding issues with local authorities continue to affect the social care market, which, in turn, has had an impact on our ability to recruit and to retain staff, while maintaining the delivery of a quality service. The staffing issue has been our greatest challenge throughout the past year and we are looking actively to address this moving forward, particularly as this is likely to be exacerbated from April 2017 by the increase in the National Minimum Wage.

The past twelve months has seen the Community Transport Service transfer to a new provider, following a lengthy tender process. A decision was made not to submit an application for this tender, recognising that it did not fit the strategic plan for the company, moving forward. All associated staff transferred to the new provider, under TUPE arrangements, on June 2016.

AVENUES EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

Our Personal Support Service has continued to grow, following the closure of the Homecare service in March 2016 and is now delivering approximately 400 support hours per week in Suffolk.

Growth opportunities within Suffolk have been minimal during the year, with a lengthy build-up to an expected framework tender for all supported housing from April 2017.

OUR EMPLOYEES

In line with the vision of Avenues Trust Group, we are committed to ensuring that all job applicants and employees are treated fairly. We value diversity and social inclusion across all of our activities and our recruitment process ensures that all applicants have equality of opportunity, are treated with respect and dignity and are checked properly and screened to ensure that they are fit and suitable to work with vulnerable people.

Employee communication and engagement is key to the success of the Group. Through our internal communications team, we ensure that all employees are kept fully informed about the charity's strategy, objectives and performance as well as day-to-day news and events. Regular information about the organisation is available through newsletters, online resources, team meetings, group briefings and regular management conferences. All employees are encouraged to give their suggestions for improvement, ideas on new initiatives and views on performance and strategy.

FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

Total unrestricted income decreased by 5.6% to £4.8m, with an operating surplus for the year of £30k, consistent with a surplus of £16k in the prior year. As a consequence, the accumulated deficit is now shown at £0.81m, being underwritten by inter-Group funding of £1.1m (15/16: £1.0m).

Reserves Policy

Reserves policy is established at a Group level. The Group is content to underwrite the accumulated deficit on reserves, given that Avenues East continues to operate at a small surplus. As an element of the next strategic plan, it is anticipated that a strategic target will be set to eliminate the accumulated deficit.

AVENUES EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

Reserves at March 2017 comprise:	£000
- General funds	(813)
- Restricted funds	173
- Pension scheme	(86)
- TOTAL	(726)

Investment Policy

The Group's current investment policy is to place surplus cash requirements on the money market both overnight and for longer periods, earning interest at the money market rates at the time of placement.

Going Concern

The financial statements have been prepared on a going concern basis and the position on going concern ultimately rests with the Group. Avenues East continues to operate at a small surplus, working capital requirements are covered at a Group level and the pension scheme deficit is for the long term, so has no significant bearing on the going concern assessment for Avenues East.

The wider Group has embarked on a significant strategic review, linked to strong growth with strong margins, in areas of market strength. Within that, Avenues East can expect to grow at a modest level, although it will be many years until the historic deficits on reserves will be cleared.

The impact of potential sleep-in payments on going concern has been considered although, this has not been included in financial forecasts due to uncertainty over payment. The estimated potential liability has not been quantified at the entity level but is estimated for the group as a whole as £539k and in the event this becomes payable this would be paid from existing cash reserves.

Contingent Liability

The notes to the accounts (see note 16) include a contingent liability for 'sleep-ins' in the social care sector. The estimated potential liability has not been quantified at the entity level but is estimated for the group as a whole as £539k. This has not been provided for in the financial statements of the entity or the group as the likelihood of payments is unknown and considered to be possible rather than probable and the amount cannot yet be accurately quantified.

AVENUES EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

Plans for the Future

We have submitted a tender for inclusion on the Suffolk Supported Housing Framework; we expect to receive the results in the Autumn.

We have submitted a tender application to be part of the Community Support framework in Cambridgeshire, to enable us to continue our Children and Young People Support and Adult Outreach service. We expect the results for this in late summer.

Suffolk is unlikely to fund case management in the future. We will need to make some difficult decisions about the provision of the service, including a review of the current structure of the Acquired Brain Injury services.

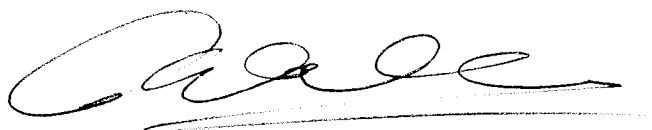
We are currently carrying two hard-to-fill voids at Bridge Street, but we are doing everything that we can to find suitable tenants.

We have recently recruited a new Area Manager for the Shropshire region and she will be recruiting a Service/Case Manager to replace the Case Manager who resigned recently. We moved offices to bigger premises in Shropshire, which will enable continued growth. A new client commenced in May, bringing the total number of clients supported in Shropshire to eight (we had three in 2014). We will continue to take on new clients in the region, but recruitment is an issue, so growth will be slow but steady.

Having made some good contacts in Norfolk, we are hopeful that Avenues East will be added to their list of accredited providers.

The Outreach section of our Community Support Service continues to grow and we are recruiting actively new support staff to enable the support hours delivered to continue to rise in the next twelve months.

There is a plan to begin exploratory discussions with all relevant parties regarding the possible redevelopment of the Teversham Road site in Fulbourn, which would give the opportunity for purpose-built housing, suitable for the future needs of our current tenants. In addition to this, de-registration of the two Cambridgeshire services will also be revisited for consideration.



Graham Walker

Chairman

Date: 20 September 2017

AVENUES EAST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2017

The trustees (who are also directors of Avenues East for the purposes of company law) are responsible for preparing the Trustees' Annual 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 which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the 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 estimates that are reasonable and prudent;
- State whether applicable UK 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 company 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 company 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 company 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 company's auditor is 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 auditor is aware of that information.

Auditor

RSM UK Audit LLP has indicated its willingness to continue in office.

AVENUES EAST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2017

The Annual Report of the Trustees and Directors is approved by order of the Board as trustees and the Strategic Report (included therein) is approved by the Board of Trustees in their capacity as the directors at a meeting on 20 September 2017 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Graham Walker', with a long horizontal flourish extending to the right.

Graham Walker

Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT BOARD OF AVENUES EAST

Opinion on financial statements

We have audited the financial statements of Avenues East (the 'charitable company') for the year ended 31 March 2017 which comprise the Statement of Financial Activities, incorporating the Income and Expenditure Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2017 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.

Scope of the audit of the financial statements

A description of the scope of the audit of financial statements is provided on the Financial reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate> .

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Trustees' Report and the incorporated Strategic Report.

Matters on which we are required to report by exception

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

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:

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT BOARD OF AVENUES EAST

- 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.

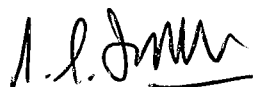
Respective responsibilities of the Management Board and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on pages 9 and 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.

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 (APB's) Ethical Standards for Auditors.

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. Our audit work has been undertaken so that we might state to the charitable company's members 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

This report is made solely to the company'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 charitable company's members 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 the charitable company's members as a body, for our audit work, for this report, or for the opinion we have formed.



Nicholas Sladden FCA DChA (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

28 September 2017

AVENUES EAST
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Unrestricted General Funds	Unrestricted Pension reserve	Restricted Funds	Total 2017 £000s	Total 2016 £000s
		£000s	£000s	£000s		
INCOME						
Donations and Grants						
Donations	3	10	-	-	10	13
Grants	3	-	-	145	145	222
		<u>10</u>	<u>-</u>	<u>145</u>	<u>155</u>	<u>235</u>
Charitable Activities:						
Provision of care to young people	3	33	-	-	33	49
Services to Adults	3	4,687	-	-	4,687	4,739
Services to Older People	3	34	-	-	34	141
		<u>4,754</u>	<u>-</u>	<u>-</u>	<u>4,754</u>	<u>4,929</u>
Total		<u>4,764</u>	<u>-</u>	<u>145</u>	<u>4,909</u>	<u>5,164</u>
Expenditure on:						
Raising funds	2	-	-	-	-	16
Charitable activities:						
Provision of care to young people	2	-	-	-	-	47
Services to Adults	2	4,700	(5)	144	4,839	4,922
Services to Older People	2	34	-	-	34	163
Net loss on assumption of Optua	16	-	-	-	-	570
		<u>4,734</u>	<u>(5)</u>	<u>144</u>	<u>4,873</u>	<u>5,702</u>
Total		<u>4,734</u>	<u>(5)</u>	<u>144</u>	<u>4,873</u>	<u>5,718</u>
Net Income/(expenditure)		30	5	1	36	(554)
Fund balances brought forward		(843)	(91)	172	(762)	(208)
Fund balances carried forward		<u>(813)</u>	<u>(86)</u>	<u>173</u>	<u>(726)</u>	<u>(762)</u>

The notes on pages 15 to 27 form part of these financial statements

**AVENUES EAST
BALANCE SHEET
AS AT 31 MARCH 2017
COMPANY NUMBER: 063226442**

	Notes	2017 £000s	2016 £000s
FIXED ASSETS			
Tangible assets	6	8	11
CURRENT ASSETS			
Debtors	7	737	521
Cash at bank and in hand		109	68
		<u>846</u>	<u>589</u>
CREDITORS falling due within one year	8	1,494	1,270
NET CURRENT (LIABILITIES)		<u>(648)</u>	<u>(681)</u>
Pension scheme liability	12	(86)	(91)
NET LIABILITIES		<u>(726)</u>	<u>(761)</u>
FUNDS			
Unrestricted funds:			
General funds	10	(813)	(842)
Restricted funds	10	173	172
Pension scheme reserve	10	(86)	(91)
TOTAL DEFICIT OF FUNDS		<u>(726)</u>	<u>(761)</u>

The financial statements were approved and authorised for issue by the Board of Trustees on 20th September 2017 and were signed on its behalf by:



David Taylor
Member of the Board

The notes on pages 15 to 27 form part of these financial statements

**AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. Accounting Policies

The Avenues Trust Group is a charitable company limited by guarantee, incorporated in England and Wales. The registered office is River House, 1 Maidstone Road, Sidcup, Kent, DA14 5TA. The Charity's principal activities are disclosed in the Board Members' Report.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows;

a) Basis of preparation

The financial statements have been prepared in accordance with 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) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

Avenues East meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The charity is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this charity, which are intended to give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the group. The charity has therefore taken advantage from the following exemption in its individual financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures; and
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral; loan defaults or breaches; details of hedges; hedging fair value changes recognised in profit or loss and in other comprehensive income.

b) Preparation of accounts on a going concern basis

The financial statements have been prepared on a going concern basis and the position on going concern ultimately rests with the Group. Avenues East continues to operate a small surplus, working capital requirements are covered at a Group level and the pension scheme deficit is for the long term, so has no significant bearing on the going concern assessment for Avenues East.

The wider group has embarked upon a significant strategic review, linked to strong growth with strong margins, in areas of market strength. Within that, Avenues East can expect to grow at a modest level, although it will be many years until the historic deficits on reserves will be cleared.

The impact of potential sleep-in payments on going concern has been considered although, this has not been included in financial forecasts due to uncertainty over payment. The estimated potential liability has not been quantified at the entity level but is estimated for the group as a whole as £539k and in the event this becomes payable this would be paid from existing cash reserves.

c) Income

Income is recognised when the Avenues East has entitlement to the resource and it can be measured with reasonable certainty. Income under care service agreements, rental income, management and consultancy fees are accounted for in the year in which the service is provided. Income received for specified future periods is deferred.

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income has been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and not deferred.

Income received in advance of a service is deferred until the criteria for income recognition are met and are measured at the fair value of the consideration receivable.

**AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. Accounting Policies (continued)

d) Donated goods and services

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. On receipts, donated professional services and donated facilities are recognised on the basis of the value of the gift to Avenues which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market. A corresponding amount is then recognised in expenditure in the period of receipt.

e) Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation is provided at the following annual rates in order to write off the assets over their estimated useful lives:

Office equipment	15% - 25% per annum on cost
Furniture and Equipment	15% - 25% per annum on cost
Motor Vehicles	25% per annum on cost

Depreciation of an asset commences when the asset is brought into use.

The charity's policy is to capitalise all assets over £500.

f) Pension Costs

Avenues East participates in a defined contribution pension scheme with Standard Life. The contributions paid to this scheme by the group are charged to the Statement of Financial Activities as they fall due.

The Social Housing Pension (SHPS) defined contribution scheme (also referred to as 'Pensions Trust') is an ongoing scheme. The contributions paid to this scheme by the group are charged to the Statement of Financial Activities as they fall due.

The charity also contributes to the defined benefit Social Housing Pension Scheme (closed to future accrual), a multi-employer defined benefit scheme for certain Avenues East employees. Contributions are charged to the Statement of Financial Activities in the period to which they relate. The charity is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent basis and therefore as required by Section 28 of FRS102 accounts for its share as if it is a defined contribution scheme.

The different pension schemes are looked at in more detail in Note 12.

g) Operating leases

Operating lease rental costs are charged to the Consolidated Statement of Financial Activities on a straight-line basis over the period of the lease.

h) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. VAT which cannot be recovered is included as part of the expenditure to which it relates. A liability is recognised once a legal or constructive obligation has been entered into by the charity.

i) Allocation of support costs

Support costs are those functions that assist the work of Avenues but does not directly undertake charitable activities. Support costs include back office costs, finance, human resources, payroll, IT and governance costs which supports Avenues charitable activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The basis on which these have been allocated have been set out in note 2.

j) Costs of raising funds

Costs of raising funds are costs incurred in raising donations and grants to enable the charity in the delivery of the charity's activities and services for its users and beneficiaries. It includes mainly direct costs and support costs.

**AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. Accounting Policies (Continued)

k) Fund accounting

Unrestricted funds are 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 subject to specific restrictions imposed by donors. These funds are accounted for separately and are only available to be used in line with donor's requirements.

l) Taxation

The Company is a registered charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

m) Debtors

Trade debtors and other income are recognised at the settlement amount due after trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

n) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

o) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

p) Management judgements and estimations

In the process of applying its accounting policies, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. There are no significant judgements or estimates made.

2. Expenditure

	2017	2016
	£000s	£000s
Net Income/(expenditure) for the year is stated after charging		
Depreciation of tangible fixed assets	3	3
Operating lease charges for land and buildings	83	67
Operating lease charges for equipment	-	3
External Audit	10	18

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2. Expenditure (cont)

	Direct costs £000s	Support Costs £000s	2017 Total £000s	2016 Total £000s
Raising funds			-	16
Charitable Activities				
Provision of care to young people (Young People's Services)	-	-	-	47
Services to Adults	4,195	644	4,839	4,922
Services to Older People	30	4	34	163
Total Charitable Activities	4,225	648	4,873	5,132
Net loss on assumption of Optua	-	-	-	570
Total	4,225	648	4,873	5,718

Summary analysis of expenditure and related income for charitable activities

	Provision of care to young people £000s	Services to Adults £000s	Services to Older People £000s	Total £000s
Income	33	4,687	34	4,754
Costs	-	(4,839)	(34)	(4,873)
Total	33	(152)	-	(119)

Analysis of governance and support costs

The Avenues initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the key charitable activities undertaken (see note 3) in the year. Support costs is allocated on the basis of salary costs for each activity. Refer to the table below for the analysis of support and governance costs.

	Provision of care to young people £000s	Services to Adults £000s	Services to Older People £000s	Total £000s
Support costs	-	618	4	622
Governance	-	26	-	26
	-	644	4	648

	General support £000s	Governance function £000s	Total £000s
Chief Executive Office	41	1	42
Business Systems	14	0	14
Chief Operating Officer Office	31	0	31
Learning & Development	56	0	56
Practice Development & Assurance	40	0	40
Human Resources	95	0	95
Payroll	20	0	20
Organisational Development	40	0	40
Strategic and Commercial Development	19	0	19
Finance	92	25	117
IT	69	0	69
Office Management	87	0	87
Legal	18	0	18
Total	622	26	648

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. Grants and donations

	2017 £000s	2016 £000s
Grants		
Activities Unlimited	76	82
Eastern Counties	5	6
Educational Trust	-	5
Equitable Charitable Trust	-	4
Mid Suffolk District Council	54	56
National/Big Lottery Funding	-	4
ONE Haverhill	10	4
Other grants and donations	-	5
PJK Charitable Trust	-	2
Saffron Housing Trust	-	40
Sport England	-	1
St Edmunds Trust	-	1
Strangwards	-	6
Suffolk Community	-	6
Foundation	-	1
The Sobel Foundation	-	1
Woodbridge Shufflers	-	1
Runnlna Club	145	223
Other donations	10	13
Total Grants and Donations	155	236

Income from charitable activities was £4,754k (2016: £4,929k) all of which was unrestricted in both years. Included in grants and donations are £10k (2016: £9k) of unrestricted donations and £nil (2016: £44k) of restricted donations. Included in grants are £145k of restricted fund grants (2016: £212k) and £nil (2016: £11k) of unrestricted fund grants.

4. Staff costs and key management personnel

The were no employees whose emoluments exceeded £60k

The total number of staff employed by the charity as well as the full time equivalents are as follows;

	2017 No.	2016 No.	2017 FTE	2016 FTE
Office staff	17	18	15	20
Care staff	37	36	37	28
Part time Support staff	148	147	86	91
Bank contract staff	80	82	-	45
Total	282	283	138	184

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

4. Staff costs and key management personnel (cont)

	2017	2016
	£000s	£000s
Staff costs		
Wages and salaries	3,296	3,463
Social security costs	234	233
Pension costs (Note 12)	48	64
Agencies	190	121
	3,768	3,881

The key management personnel of the Avenues East comprise the trustees, the Group Chief Executive, Deputy Chief Executive, Group Director of Finance, Group Chief Operating Officer and the Group Company Secretary, the Avenues East share of these costs along with the total cost of the two Regional Managers are shown below;

	2017	2016
	£000s	£000s
Wages and salaries	158	344
Social security costs	18	46
Pension costs	7	21
	183	411

In the prior year, the key management personnel consisted the Group Chief Executive, Deputy Chief Executive, Group Director of Finance and Group Chief Operating Officer. The entire cost to the group is included in the comparative figures above.

5. Trustees' remuneration

The trustees are the directors of the company. During the year 3 (2016: 2) members of the Board have been reimbursed for travelling expenses £1k (2016: £1k) in respect of roles as trustees.

S James, Group Chief Executive, is also a trustee of Avenues East. During the year S James received £128k (2016: £119k) in remuneration including £10k of pension contributions (2016: £10k) from The Avenues Trust Group in respect of his role as Group Chief Executive. No remuneration or pension contributions were paid in relation to his role as a trustee.

P Snelling, Group Chief Operating Officer, is also a trustee of Avenues East. During the 2016/2017 financial year he received remuneration (including pension contributions), of £88k (2016: £88k) from The Avenues Trust Group in respect of his role as Group Chief Operating Officer. No remuneration or pension contributions were paid in relation to his role as a trustee.

The directors of the charity are remunerated by the Avenues Trust Group only to the extent permitted by the charity's Articles of Association. A further payment is made in the year of £3k (2016: £nil) which is a collective premium to cover Trustees Liability.

No other trustees received remuneration or pension contributions in the current or preceding period.

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

6. TANGIBLE FIXED ASSETS

	Furniture and Equipment £000s	Office equipment £000s	Motor Vehicles £000s	Total £000s
Cost				
At 1 April 2016	93	137	3	233
At 31 MARCH 2017	93	137	3	233
Depreciation				
At 1 April 2016	83	137	2	222
Charge for year	2	-	1	3
At 31 MARCH 2017	85	137	3	225
Net book value				
At 31 MARCH 2017	8	-	-	8
At 31 March 2016	10	-	1	11

7. DEBTORS

	2017 £000s	2016 £000s
Contract fees receivable	679	319
Prepayments and accrued income	58	202
	737	521

8. Creditors: amounts falling due within one year

	2017 £000s	2016 £000s
Trade creditors	33	23
Tax and social security	58	53
Other creditors	16	9
Accruals & deferred income	251	181
Amount due to Group undertaking	1,136	1,004
	1,494	1,270

Included in the creditors are amounts totalling to £7k (2016: £2k) in respect of outstanding pension contributions.

9. Movements in deferred income:

	2017 £000s	2016 £000s
Deferred income at the beginning of the year	56	132
Income recognised in the year	(56)	(132)
Income deferred in the current year	118	56
Income deferred at the year end	118	56

Deferred income comprises contract fee income which relates to services that will be provided in future periods, and grants and donations where milestones and conditions for recognition are expected to be met in future periods

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

10. Analysis of movements in funds

	Balance at 31 March 2016	Income	Expenditure	Balance at 31 March 2017
	£000s	£000s	£000s	£000s
Unrestricted funds				
General reserve	(843)	4,764	(4,734)	(813)
Pension reserve	(91)	5	-	(86)
Restricted funds				
1 Partnership Working	9	-	-	9
2 Disability Forum for Suffolk	4	-	-	4
3 Disability Involvement Day	5	6	(1)	10
4 Disability Sport Project	23	-	-	23
5 Hope House Holiday Fund	4	-	-	4
6 Leisure – RHS Games	-	5	(1)	4
7 Leisure - Swimming	35	-	-	35
8 Teaming Up	63	76	(77)	62
9 Share	-	4	(8)	(4)
10 Big Lottery	14	54	(56)	12
11 Employment Service	15	-	-	15
	172	145	(144)	173
Total Funds	(762)	4,914	(4,878)	(726)

	Balance at 31 March 2015	Income	Expenditure	Balance at 31 March 2016
	£000s	£000s	£000s	£000s
Unrestricted funds				
General reserve	(314)	4,949	(5,477)	(842)
Pension Reserve	(63)	-	(28)	(91)
Restricted funds				
Partnership Working	9	-	-	9
Disability Forum for Suffolk	4	-	-	4
Disability Involvement Day	4	3	(2)	5
Disability Sport Project	20	40	(37)	23
Hope House Holiday Fund	4	-	-	4
Leisure – RHS Games	-	6	(6)	-
Leisure - Swimming	40	12	(17)	35
Teaming Up	69	82	(88)	63
Share	-	9	(9)	-
Big Lottery	10	56	(52)	14
Employment Service	10	6	(1)	15
Other grants	-	3	(3)	-
	170	217	(215)	172
Total Funds	(207)	5,166	(5,720)	(761)

**AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. Analysis of movements in funds (cont.)

Designated Pension Reserve

The pension reserve represents the movements in respect of the defined benefit pension schemes in which the charity participates.

Restricted Funds

- | | |
|---------|--|
| 1 | The Partnership Working fund is restricted to supporting the costs of user involvement in multi-agency working to promote the inclusion of disabled people in county and local initiatives. |
| 2 | Disability Forum for Suffolk fund is for work relating to representing and consulting with disabled people in Suffolk, as well as for organising events to bring disabled people in Suffolk together. |
| 3 | Disability Involvement Day fund is restricted to supporting the costs of organising the forum to meet representatives from disability organisations and statutory organisations |
| 4 | Disability Sport Project. The funds is to provide sport and physical activities for young people and adults with disabilities. |
| 5 | The Hope House Holiday fund represents a fund raised towards the provision of an annual holiday for the residents. |
| 6 and 7 | The "Leisure" funds are restricted to the various Leisure Activities services. The Learning through Leisure fund is restricted to this service. |
| 8 | The Teaming Up fund is restricted to various Teaming Up activities. |
| 9 | The Share fund is restricted to initiate Share events. These events are designed to encourage disabled people to take part in arts activities. |
| 10 | The Big Lottery fund is restricted to supporting disabled people during the transitional period of their lives enabling them to access volunteer and work experience opportunities within their local community. |
| 11 | The Employment Service fund is restricted to helping young people to gain work experience or volunteering enabling them to gain valuable life skills |
| 12 | Other restricted grants are comprised of a number of individually immaterial funds. |

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

11. Analysis of net assets/(liabilities) between funds

	Restricted Funds	Unrestricted Funds	Unrestricted Pension Fund	2017 Total
	£000s	£000s	£000s	£000s
Fund balances at 31 March 2017 are represented by:				
Tangible Assets	-	8	-	8
Net current assets/(liabilities)	173	(821)	(86)	(734)
Total	173	(813)	(86)	(726)

Analysis of net assets/(liabilities) between funds - previous year

	Restricted Funds	Unrestricted Funds	Unrestricted Pension Fund	2016 Total
	£000s	£000s	£000s	£000s
Fund balances at 31 March 2016 are represented by:				
Tangible Assets	-	10	-	10
Net current assets/(liabilities)	172	(853)	(91)	(772)
Total	172	(843)	(91)	(762)

12. Pension costs

Avenues East has contributed to both defined benefit and defined contribution schemes during the year and defined benefit schemes are accounted for as if they were defined contribution schemes if required by FRS 102 Section 25 'Employee benefits'. The total cost to the charity for the year ended 31 March in respect of pension contributions, which have been allocated between resources expended categories in proportion to staff costs and charged to the Statement of Financial Activities as appropriate, are as follows:

	2016/17 £000s	2015/16 £000s	2016/17 No.	2015/16 No.
Pensions Trust SHPS	25	35	118	151
Pensions Trust Closed scheme	23	30	19	26
Per Note 4	48	65		

Defined Contribution Schemes

The Social Housing Pension (SHPS)

The Social Housing Pension (SHPS) defined contribution scheme (also referred to as 'Pensions Trust') is an ongoing scheme. The contributions paid to this scheme by the group are charged to the Statement of Financial Activities as they fall due.

The Pension Trust – Social Housing Pension Scheme (Closed Scheme)

Avenues East participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

12. Pension costs (cont.)

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards Issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2013 to 31 March 2023:	£12,945,440 per annum
From 1 April 2016 to 30 September 2025:	(payable monthly and increasing by 3% each on 1st April) £54,560 per annum
From 1 April 2016 to 30 September 2028:	(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

	Mar-17	Mar-16
	£000s	£000s
Present value of provision	86	91

Reconciliation of opening and closing provisions

	Year ending Mar-17	Year ending Mar-16
	£	£
Provision at start of period	91	63
Unwinding of the discount factor (interest expense)	2	1
Deficit contribution paid	(9)	(8)
Remeasurements - Impact of any change in assumptions	2	(1)
Remeasurements - amendments to the contribution schedule	-	36
Provision at end of period	86	91

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

12. Pension costs (cont.)

SOFA Impact

	Year Ending Mar-17 £000s	Year Ending Mar-16 £000s
Interest expense	2	1
Remeasurements – impact of any change in assumptions	3	(1)
Remeasurements – amendments to the contribution schedule	-	36

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

ASSUMPTIONS

	Mar-17 % per annum	Mar-16 % per annum	Mar-15 % per annum
Rate of discount	1.32	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

13. Operating Lease Commitments

The total minimum lease payments under non-cancellable operating leases are as follows

	2017 £000s	2016 £000s
--	---------------	---------------

Land and Buildings

Amounts due:

Less than 1 year	18	49
Between one and five years	4	22

14. Related Party Transactions

As a member of the Avenues Trust Group, Avenues East uses central services to carry out its operations. The group makes a charge for the central costs based ratio of the salary costs of Avenues East against the total salary costs of the group.

In addition, Avenues Group acts as the central banker for Avenues East, paying salary costs and creditors and receiving cash from customers. There were no write offs during the year.

	2017 £000s	2016 £000s
Balance owed at 31 March 2016	(1,004)	(296)
Payroll services provided by group companies	(3,768)	(3,881)
Receipts taken on behalf of group companies	4,806	5,164
Payments made on behalf of group companies	(522)	(1,366)
Recharges of head office costs	(648)	(625)
Balance owed at 31 March 2017	(1,136)	(1,004)

**AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

15. Ultimate Parent Undertaking

The charity is consolidated into its ultimate parent undertaking, The Avenues Group, a charitable company (charity number 1130473, company number 03804617), limited by guarantee, incorporated in the UK. The consolidated financial statements of The Avenues Group can be obtained by writing to The Avenues Group, River House, 1 Maldstone Road, Sidcup, Kent, DA14 5TA.

The principal activity of The Avenues Trust Group is the provision of professional, high quality, not-for-profit support services to people with complex or challenging needs. The Parent exercises control through the power of appointment and removal of trustees on subsidiary boards.

16. Assumption of Optua UK

During the year ended 31 March 2016, the decision was taken by the board of trustees in regards to the separate group subsidiary, Optua UK, to close the subsidiary and formally transfer its assets and liabilities to Avenues East. The decision was formally ratified and became effective on 1 April 2015.

17. Contingent Liability

"Sleep-ins" in the social care sector

This issue has been building in the sector since case law in 2014. Previously, staff required to be oncall, on site, whilst asleep, were paid at long established flat rates. Since 2014, Employment Tribunals have taken a consistent line that a) the rate of pay should be at the National Living Wage and b) that this should cover the entire oncall period. Increasingly, the sector began to lobby Government about the scale of the financial consequences of these developments.

By 2016, the situation had become serious, with HMRC beginning to target individual providers for arrears up to six years, plus financial penalties. The Government (DBEIS) issued departmental guidance clarifying that staff are entitled to payment for all working time (even if asleep) at the National Living Wage. The sector has estimated that the cost of arrears for six years would be £400m. At this stage (October 2016), the Avenues Group began to pay National Living Wage for time actually worked, whilst oncall during "sleep-in" arrangements.

In spite of intensive lobbying by the sector over the last year, the situation remains unresolved. HMRC continues to investigate providers on the basis of arrears of six years, but a legal decision on an appeal from Mencap has been deferred. The Government has temporarily suspended HMRC enforcement action and is waiving historic financial penalties against the social care sector. A further HMRC enforcement activity concerning payment of sleep-in shifts by social care providers is expected on 2 October 2017.

The Avenues Group has commissioned consultancy work from RSM UK Tax and Accounting Limited, which has estimated the cost to the organisation of the six year arrears as being £539k. This figure has been calculated based on available information for 2016/7 and extrapolated over 6 years and therefore at this stage is a best estimate.

This has not been provided for in the financial statements of the entity or the group as the likelihood of payments is unknown and considered to be possible rather than probable and the amount cannot yet be accurately quantified. The estimated potential liability has not been quantified at the entity level.

At the date of signing these financial statements the position remains uncertain.