

AVENUES EAST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Charity Registration Number: 1061241

Company Registration Number: 03326442

AVENUES EAST

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BOARD MEMBERS AND EXECUTIVE DIRECTORS

FOR THE YEAR ENDED 31ST MARCH 2018

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

Board Members

Chairman: Graham Walker (To November 2017)
Jeffrey Gritzman (Acting from November 2017 and
Chairman from March 2018)

Jeffrey Gritzman
Pamela Nicholson (To November 2017)
Martin Owen
Mark Pittaway
Howard Pugh
David Taylor (To November 2017)
Caroline Tuohy
Susan Vaughan-Williams (To November 2017)

Executive Trustees:

Steve James Group Chief Executive
Peter Snelling Group Chief Operating Officer

Key Management Personnel:

Paul Attrill Regional Director (From April 2018)
Paul Attrill Regional Manager (To April 2018)
Brenda McLoughlin Regional Manager (To April 2018)
Joanne Land Group Deputy Chief Executive
Alan How Group Director of Finance (To June 2017)
Nicola Ford Group Director of Finance (From September 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

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The Board presents herewith its Annual Report and the audited financial statements of Avenues East for the year ended 31 March 2018. 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 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 2018 and the 2017 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 wholly owned 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 member of The Avenues Trust Group, four (formerly eight) 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, are approved by the parent company, The Avenues Trust Group. The relevant details are as follows:

- Members of The Avenues Trust Group: Jeffrey Gritzman
- Independent trustees: Martin Owen, Mark Pittaway, Howard Pugh, Caroline Tuohy
- Executive Trustees: Steve James, Peter Snelling

The Regional Director is Paul Attrill, supported by Joanna Land and Nicola Ford (Group Deputy Chief Executive and Group Director of Finance).

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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, finance, board appointments and remuneration.

Good governance is extremely important to Avenues and vital to its future success. Trustees are selected in a manner consistent with the organisation's recruitment and diversity and equality policies, ensuring that the selection process is time and cost effective. In addition to making direct approaches to suitable candidates Avenues may advertise for trustees through notice boards, networks or in the media. When a recruitment need is identified, the Company Secretary will work with the relevant board or committee to carry out a skills audit. The Board Appointments Committee (BAC) will review the results of the audit to determine whether there are any commonalities on a Group wide basis before any recruitment campaign is undertaken. Policies and procedures are in place for the induction and training of new trustees.

The Group recognises the importance of good governance and welcomes the new Code of Good Governance. We have used the new code to inform board development and to design a new board performance tool. All Trustees have been made aware of their responsibilities under the code and an internal audit was carried out in 2017 to assess our compliance against it. During 2018/19, we will be auditing independently all policies, processes and performance against the Code.

Over the last year the main focus of the board has been agreeing our new three year strategic plan (see section on Strategy).

We have also overseen a project to ensure our compliance with the new General Data Protection Regulation which came into force in May 2018. Avenues has always taken data protection seriously and so we have used the new regulations to renew and strengthen our policies and procedures to ensure that the protection of people's information remains a high priority.

Public Benefit

Avenues East specialises in complex support, most commonly working with people who have learning disabilities or autism and present challenging behaviour, as well as those with acquired brain injuries.

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The majority of our work is commissioned by local government and the NHS, a process which is recognised to deliver better outcomes and significant savings to the public purse.

We have a commitment to contributing to the delivery of the Government's national Transforming Care strategy, as we support people held up in assessment centres to move back to their local areas and into their own homes. The leadership team works at a strategic level to help drive this initiative forward, improving people's transition from assessment centres, and aims to develop examples of best practice in service development to be shared across the sector.

Quality is of paramount importance to Avenues, and is central to all our plans. Our services are regulated by the Care Quality Commission and staff carry out regular monitoring to promote continuous improvement.

This is made possible by employees' shared purpose of making a positive difference to the lives of people we support. Recruitment is based on aptitude - regardless of previous experience. Staff complete mandatory training, as well as specialist courses based on the needs of the people we provide services to.

Avenues East always takes into account shared interests when matching staff to people they might support. This means support is personalised and encourages retention and consistency. Staff take time to get to know people, supporting them to do things differently or for the first time, working out what matters to them and what they enjoy.

The charity is committed to developing the way it supports its staff, and continues to work with the University of Kent on mindfulness packages to strengthen employee wellbeing, and professional training around positive behaviour support, to advance the efficacy of the care we provide and therefore reduce people's support needs over time.

In 2017, Avenues Group was awarded Silver accreditation by Investors in People. Inspectors were particularly impressed by staff's energy and buy-in to the charity's values, and our vision that everyone should have the opportunity to be an active citizen - to engage and participate in the community where they live.

Strategy

The strategic direction of Avenues East is defined in the context of being a key part of the Avenues Group. The focus for Avenues East will be on providing high-quality, consistent and improving services to everyone it supports. This will be achieved locally by the full commitment to Active Support and Positive Behavioural Support practices as the foundation of each individual service. This operational activity will be consolidated at management level by work to reduce the use of agency staff, with a more consistent workforce providing increased benefits for everyone supported by Avenues.

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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. There were no key risks identified in 2017/18. There is a possibility in the future that Suffolk County Council will stop funding Acquired Brain Injury case management. The national issue on "sleep-ins" is being handled at Group level: actions have been taken to mitigate the risks, reflecting best professional advice at this time.

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 people aged nine and upward with complex support needs. This is achieved by providing professional, high quality, not-for-profit support services to people, supporting them to enjoy their lives within their communities.

The governing instruments 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

Avenues East was successful in an application to Cambridgeshire Learning Disability Supported living framework, achieving an award of a 10 year contract and potential for further growth in the county. It also achieved success in its application to the Suffolk Acquired Brain Injury (ABI) framework to provide supported living services in the county, one of only 6 providers to be approved to carry out this support. A new 24/7 package of support in Suffolk via the Community Support Services has commenced during the year, supporting an individual to remain in his own home.

Shropshire continues to go from strength to strength, with 2 new packages of support being commenced with increasing requests for services being received and growth of Avenues Easts' reputation.

There has been a successful restructure of senior management for Avenues East which has moved from 2 Regional Managers to having one Regional Director, in line with the rest of the Avenues Group subsidiaries.

Unfortunately the Avenues East Advocacy and Advice Service closed during the year following a withdrawal of funding by Suffolk County Council.

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

Initial contacts have been made with neighbouring counties with a view to securing services in the future.

Avenues East has seen a gradual improvement in relation to recruitment, particularly in the learning disability services, working closely with the newly established recruitment team.

Office moves in both Suffolk and Shropshire have realised a substantial rental saving.

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 in line with our equality of opportunities, diversity and fair treatment policy and procedure.

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 with dignity and are checked properly and screened to ensure that they are fit and suitable to work with vulnerable people.

In the event of a change in an employee's health, in accordance with our sickness absence policy, we would work with occupational health and the individual to establish whether this constitutes a disability and in the event it did, we would continue to work with them to make every reasonable effort to sustain ongoing employment.

Employee communication and engagement is key to the success of the Group. Through good local management and our communications team, we ensure that all employees are kept 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 and management briefings.

All employees are encouraged to give their suggestions for improvement and views on performance and on strategy

Financial results for the year ended 31 March 2018

Total income increased by 2.2% to £5.0m, and despite an increase of 2% on expenditure 2017/18 saw a surplus of £37k compared to £36k in the prior year. As a consequence, the accumulated deficit is now shown at £0.69m, being underwritten by inter-group funding of £0.96m (16/17:£1.1m)

The Group introduced a balanced scorecard for quarterly reporting from the 1 April 2018, for which there is baseline data from the year ended 31 March 2018. Within this are Key Performance Indicators for each strand of the Strategic plan as follows;

Better Lives

The first priority of the plan is to ensure that the lives of the people we support continually improve. A good indicator of this is the number of services rated as

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

"Good" or "Outstanding" by CQC. We have a target of 95% of services and for the year ended 31 March 2018 this was achieved.

Better Jobs

Our second priority is to continually improve the experience of those working for us. We have a target of 90% of new employees to be retained for 12 months. For the year ended 31 March 2018 this stood at 85%.

Better Business

The final strand of our strategic plan is Better Business. This is being measured by the percentage of services which are making a loss before central costs. The target for this is less than 5%, however at 31 March 2018, 26% of services were making a loss before central costs.

Reserves Policy

Reserves policy is established at a Group level which identifies that Group reserves should be sufficient to mitigate against any significant organisational risks and as such the board have concluded a target for free reserves of £1.5m. The Group is content to underwrite the accumulated deficit on reserves, given that Avenues East continues to operate at a small surplus. Over the life of the 2018-21 strategic plan, 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.

Reserves were as follows at March 2018:	£000
- General	(783)
- Restricted funds	171
- Pension scheme	(77)
TOTAL	(689)

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 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

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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 £515k and in the event this becomes payable this would be paid from existing cash reserves.

Contingent Liability

The notes to the accounts (see note 17) 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 £515k including interest, and a potential for penalties of £1m. This has not been provided for in the financial statements of 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 have joined the Social Care Compliance Scheme and as such the likelihood of payment is probable, however the amount cannot be accurately quantified and as such no provision has been made in Avenues East either.

Future Plans

We have submitted an application for inclusion on the complex supported living framework in Cambridgeshire and we will be submitting an application for inclusion on the Suffolk supported living framework for learning disability in due course. We expect to open to a new single service for a young man with complex needs with a high support package.

- We will be restructuring the management positions in the two Cambridgeshire supported living services, reducing management costs and bringing the structure in line with other services.
- We are expecting further conversations with Suffolk CC regarding the future of Case Management and will need to have plans in place for any changes in their status.
- We will continue talks with commissioners contacts in counties where we don't currently work to promote the work of Avenues
- All staff will be subject of a terms and conditions review during the next financial year to iron out the various contractual arrangements we have across the East.
- We will be working towards the targets and growth plans laid out in the new strategy and operational plans.

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

Indemnity Provision

The charity has made qualifying third party indemnity provisions for the benefit of its trustees.

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 10 October 2018 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Jeffrey Gritzman', written over a horizontal dashed line.

Jeffrey Gritzman

Chairman

Date: 10 October 2018

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2018

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 that 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 AUDIT UK LLP has indicated its willingness to continue in office.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 2018 which comprise the Statement of Financial Activities (including Income and Expenditure Account) the Balance Sheet, the Cash Flow Statement 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENUES EAST

statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Board Members' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board Members' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board Members' 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:

- 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.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENUES EAST

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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.

RSM UK Audit LLP

NICHOLAS SLADDEN (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

Date *25 October 2018*

AVENUES EAST
STATEMENT OF FINANCIAL ACTIVITIES
(Including Income and Expenditure Account)
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Unrestricted General Funds	Unrestricted Pension reserve	Restricted Funds	Total	Total
		£000s	£000s	£000s	2018 £000s	2017 £000s
INCOME						
Donations and Grants						
Donations	3	2	-	-	2	10
Grants	3	-	-	87	87	145
		2	-	87	89	155
Charitable Activities:						
Provision of care to young people	3	28	-	-	28	33
Services to Adults	3	4,902	-	-	4,902	4,687
Services to Older People	3	-	-	-	-	34
		4,930	-	-	4,930	4,754
Total		4,932	-	87	5,019	4,909
Expenditure on:						
Charitable activities:						
Provision of care to young people	2	28	-	-	28	-
Services to Adults	2	4,872	(9)	89	4,952	4,839
Services to Older People	2	2	-	-	2	34
		4,902	(9)	89	4,982	4,873
Total		4,902	(9)	89	4,982	4,873
Net income/(expenditure)		30	9	(2)	37	36
Fund balances brought forward		(813)	(86)	173	(726)	(762)
Fund balances carried forward		(783)	(77)	171	(689)	(726)

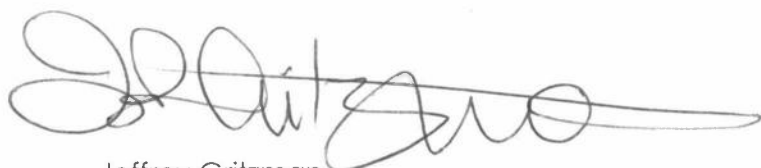
The notes on pages 16 to 32 form part of these financial statements

**AVENUES EAST
BALANCE SHEET
as at 31 March 2018**

	Notes	2018 £000s	2017 £000s
FIXED ASSETS			
Tangible assets	6	10	8
CURRENT ASSETS			
Debtors	7	554	737
Cash at bank and in hand		88	109
		<u>642</u>	<u>846</u>
CREDITORS falling due within one year	8	1,264	1,494
NET CURRENT (LIABILITIES)		<u>(622)</u>	<u>(648)</u>
Pension scheme liability	12	(77)	(86)
NET LIABILITIES		<u>(689)</u>	<u>(726)</u>
FUNDS			
Unrestricted funds:			
General funds	10	(783)	(813)
Restricted funds	10	171	173
Pension scheme reserve	10	(77)	(86)
TOTAL DEFICIT OF FUNDS		<u>(689)</u>	<u>(726)</u>

The notes on pages 16 to 32 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Trustees on 10th October 2018 and were signed on its behalf by:



Jeffrey Gritzman
Chairman of the Board

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Accounting Policies

Avenues East 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 and 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 Standards 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 (FRS 102) and the Companies Act 2006.

Avenues East meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost of transaction value unless otherwise stated in the relevant accounting policy notes. The reporting currency is pound sterling and the financial statements are presented to the nearest thousand pounds.

The charity is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepare a 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 exemptions 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

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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 £515k and in the event this becomes payable this would be paid from existing cash reserves.

c) Income

Income is recognised when Avenues East has entitlement to the funds, any performance related 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' (except capital grants relating to social housing properties – see policy (f)) or 'revenue' grants, it is recognised when the charity has entitlement to the funds, any performance related conditions attached to the grant 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 (Note 9). Income is measured at the fair value of the consideration receivable.

d) Tangible Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. 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 from the point the asset is brought into use.

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

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

e) 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 Scheme (SHPS), a defined contribution scheme (also referred to as 'Pensions Trust'), is an ongoing scheme. The contributions paid to this scheme 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 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 it as if it were a defined contribution scheme.

The different pension schemes are disclosed in Note 12.

f) Capital grants in respect of social housing properties

All Social Housing Capital grants are recognised under the accrual model. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred it is recognised under creditors after more than one year separately as capital grant and not deducted from the carrying amount of the asset.

g) Operating leases

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

h) Resources expended and the basis of apportioned costs

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 group.

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, please see note 2 for details on the basis of allocation.

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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 direct costs and support costs.

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 group 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 466 to 493 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.

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. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the balance sheet.

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.

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

p) Financial Instruments policy

The charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

q) Management estimates and judgements

In the process of applying its accounting policies, Avenues 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

	2018 £000s	2017 £000s
Net income/(expenditure) for the year is stated after charging		
Depreciation of tangible fixed assets	1	3
Operating lease charges for land and buildings	69	83
External Audit	9	10
Internal Audit	2	-

	Direct costs £000s	Support Costs £000s	2018 Total £000s	2017 Total £000s
Charitable Activities				
Provision of care to young people (Young People's Services)	25	3	28	-
Services to Adults	4,377	575	4,952	4,839
Services to Older People	2	-	2	34
Total	4,404	578	4,982	4,873

The charitable activities provided by Avenues East have been categorised to reflect the key services provided.

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	28	4,902	-	4,930
Costs	(28)	(4,952)	(2)	(4,982)
Total	-	(50)	(2)	(52)

AVENUES EAST
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For the year ended 31 March 2018

Expenditure on charitable activities was £4,982k (2017: £4,873k) of which £4,893k was unrestricted (2017: £4,734k) and £89k was restricted (2017: £144k). These balances include the pension re-measurement adjustments of £9k (2017: £5k).

Analysis of governance and support costs

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 above) in the year. Support costs are 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	Services to Adults	Services to Older People	Total
	£000s	£000s	£000s	£000s
Support costs	3	562	-	565
Governance	-	13	-	13
	3	575	-	578

	General support	Governance function	Total
	£000s	£000s	£000s
EMT and Governance	114	4	118
Group Finance	200	9	209
Group Human Resources	135	-	135
Group Office Management	69	-	69
Group Practice Development and Assurance	47	-	47
Total	565	13	578

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3. Grants and donations

	2018	2017
	£000s	£000s
Grants		
Activities Unlimited	75	76
Eastern Counties Educational Trust	-	5
National/Big Lottery Funding	8	54
Other grants and donations	4	10
	87	145
Other donations	2	10
Total Grants and Donations	89	155

Income from charitable activities was £4,930k (2017: £4,754k) all of which was unrestricted in both years. Included in grants and donations are £2k (2017: £10k) of unrestricted donations and £nil (2017: £nil) of restricted donations. Included in grants are £87k of restricted fund grants (2017: £145k) and £nil (2017: £nil) of unrestricted fund grants.

4. Staff costs and key management personnel

There 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:

	2018	2017	2018	2017
	No.	No.	FTE	FTE
Office staff	17	17	15	15
Care staff	7	37	22	37
Part time Support staff	171	148	93	86
Bank contract staff	59	80	-	-
Total	254	282	130	138

	2018	2017
	£000s	£000s
Staff costs		
Wages and salaries	3,238	3,296
Social security costs	240	234
Pension costs (Note 12)	42	48
Agencies	499	190
	4,019	3,768

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:

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

4. Staff costs and key management personnel (continued)

	2018	2017
	£000s	£000s
Wages and salaries	132	158
Social security costs	16	18
Pension costs	6	7
	154	183

5. Trustees' remuneration

The trustees are the directors of the company. During the year 4 (2017: 3) members of the Board have been reimbursed for travelling expenses totalling £1k (2017: £1k).

S James, Group Chief Executive, is also a trustee of Avenues East. During the year S James received £134k (2017: £134k) in remuneration including £nil of pension contributions (2017: £nil) 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 Director of Operations, is also a trustee of Avenues East. During the 2017/18 financial year he received £98 (2017: £98k) in remuneration including £3k of pension contributions (2017: £nil) from The Avenues Trust Group in respect of his role as Group Director of Operations. 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 was made in the year of £3k (2017: £3k) 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 2018

6. Tangible fixed assets

	Furniture and Equipment	Office equipment	Motor Vehicles	Total
	£000s	£000s	£000s	£000s
Cost				
At 1 April 2017	94	137	3	234
Additions	3	-	-	3
Disposal	-	-	(3)	(3)
At 31 MARCH 2018	97	137	0	234
Depreciation				
At 1 April 2017	86	137	3	226
Charge for year	1	-	-	1
Disposal	-	-	(3)	(3)
At 31 MARCH 2018	87	137	0	224
Net book value				
At 31 MARCH 2018	10	-	-	10
<i>At 31 March 2017</i>	<i>8</i>	<i>-</i>	<i>-</i>	<i>8</i>

7. Debtors

	2018	2017
	£000s	£000s
Contract fees receivable	429	679
Prepayments and accrued income	37	58
Amounts due from group subs	87	-
	554	737

8. Creditors

	2018	2017
	£000s	£000s
Trade creditors	31	33
Tax and social security	53	58
Other creditors	4	16
Accruals & deferred income	218	251
Amount due to Group undertaking	958	1,136
	1,264	1,494

Included within the creditors are amounts totalling £6k (2017: £7k) in respect of outstanding pension contributions.

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For the year ended 31 March 2018

9. Movements in deferred income

	2018	2017
	£000s	£000s
Deferred income at the beginning of the year	118	56
Income recognised in the year	(118)	(56)
Income deferred in the current year	104	118
Income deferred at the year end	104	118

10. Analysis of movements in funds

	Balance at 31 March 2017	Income	Expenditure	Balance at 31 March 2018
	£000s	£000s	£000s	£000s
Unrestricted funds				
General reserve	(813)	4,932	(4,902)	(783)
Pension reserve	(86)		9	(77)
Restricted funds				
Partnership Working	9	-	-	9
Disability Forum for Suffolk	4	-	-	4
Disability Focus Day	10	3	(2)	11
Disability Sport Project	23	-	-	23
Hope House Holiday Fund	4	-	-	4
Leisure – RHS Games	4	-	(1)	3
Leisure - Swimming	35	-	-	35
Teaming Up	62	75	(75)	62
Share	(5)	-	(2)	(7)
Big Lottery	12	9	(9)	12
Employment Service	15	-	-	15
	173	87	(89)	171
Total Funds	(726)	5,019	(4,982)	(689)

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10. Analysis of movements in funds (continued)

Analysis of movements in funds (prior year)	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				
Partnership Working	9	-	-	9
Disability Forum for Suffolk	4	-	-	4
Disability Involvement Day	5	6	(1)	10
Disability Sport Project	23	-	-	23
Hope House Holiday Fund	4	-	-	4
Leisure – RHS Games	-	5	(1)	4
Leisure - Swimming	35	-	-	35
Teaming Up	63	76	(77)	62
Share	-	4	(8)	(4)
Big Lottery	14	54	(56)	12
Employment Service	15	-	-	15
	172	145	(144)	173
Total Funds	(762)	4,914	(4,878)	(726)

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 Focus Day fund is restricted to supporting the costs of organising the forum to meet representatives from disability organisations and statutory organisations across Suffolk.
- 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 +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.

AVENUES EAST
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For the year ended 31 March 2018

Restricted Funds (continued)

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.

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

	Restricted Funds £000s	Unrestricted Funds £000s	Unrestricted Pension Fund £000s	2018 Total £000s
Fund balances at 31 March 2018 are represented by:				
Tangible Assets	-	10	-	10
Net current assets/(liabilities)	171	(793)	-	(622)
Long term liabilities	-	-	(77)	(77)
Total	171	(783)	(77)	(689)

**Analysis of net assets/liabilities
between funds - previous year**

	Restricted Funds £000s	Unrestricted Funds £000s	Unrestricted Pension Fund £000s	2017 Total £000s
Fund balances at 31 March 2017 are represented by:				
Tangible Assets	-	8	-	8
Net current assets/(liabilities)	173	(821)	-	(648)
Long term liabilities	-	-	(86)	(86)
Total	173	(813)	(86)	(726)

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
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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:

	2017/18	2016/17	2017/18	2016/17
	£000s	£000s	No.	No.
Pensions Trust SHPS	22	25	109	118
Pensions Trust Closed scheme	20	23	15	19
Per Note 4	42	48		

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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12. Pension costs (continued)

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

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

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

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-18	Mar-17
	£000s	£000s
Present value of provision	77	86

Reconciliation of opening and closing provisions

	Year ending Mar-18	Year ending Mar-17
	£	£
Provision at start of period	86	91
Unwinding of the discount factor (interest expense)	1	2
Deficit contribution paid	(9)	(9)
Remeasurements - impact of any change in assumptions	(1)	2
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	77	86

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12. Pension costs (continued)

SOFA impact

	Year Ending Mar-18 £000s	Year Ending Mar-17 £000s
Interest expense	1	2
Remeasurements – impact of any change in assumptions	(1)	3
Remeasurements – amendments to the contribution schedule	-	-

<u>ASSUMPTIONS</u>	Mar-18 % per annum	Mar-17 % per annum	Mar-16 % per annum
Rate of discount	1.71	1.32	2.06

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

	2018 £000s	2017 £000s
<u>Land and Buildings</u>		
Amounts due:		
Less than 1 year	49	18
Between one and five years	50	4

14. Investment policy and position

The banking activities for Avenues East are managed by The Avenues Group.

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NOTES TO THE FINANCIAL STATEMENTS
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15. 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.

	2018	2017
	£000s	£000s
Balance owed at 1 April	(1,136)	(1,004)
Payroll services provided by group companies	(3,542)	(3,768)
Receipts taken on behalf of group companies	5,122	4,806
Payments made by group companies	(763)	(522)
Recharges of head office costs	(552)	(648)
Balance owed at 31 March	(871)	(1,136)

16. Ultimate parent undertaking

The charity is consolidated into its ultimate parent undertaking, The Avenues Trust 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 Trust Group, River House, 1 Maidstone 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.

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 on-call, on site, whilst asleep, were paid at long established flat rates. Normal rates of pay were applied for any disturbed and awake hours.

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 on-call 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

AVENUES EAST
NOTES TO THE FINANCIAL STATEMENTS
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17. Contingent liability (continued)

that the cost of arrears for six years would be £400m. At this stage (October 2016), the Avenues Group ensured that all hours worked including hours spent sleeping in were paid at National Living Wage.

In November 2017 the government announced the introduction of the Social Care Compliance scheme, a voluntary enrolment scheme for employers affected by the potential underpayment of sleep-ins. At the current time, following consultation with our legal advisors and trustees only the Avenues East subsidiary has joined the scheme.

In spite of intensive lobbying by the sector over the last eighteen months, the on-going situation remains unresolved. HMRC continues to investigate providers on the basis of arrears of six years, but a legal decision was ruled in favour of Mencap, however the government have appealed this decision.

Increasingly the concerns for the sector are focused on support from Government to afford the back pay liabilities and most employers, like Avenues have taken steps to correct the situation going forward. It remains to be seen what impact the outcome of the Mencap decision will have on retrospective and future liabilities for employers.

The Avenues Group has estimated the cost to the organisation of the six year arrears as being £515k including interest, and a potential for penalties of £1m. 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 as despite being enrolled in the Social Care Compliance Scheme, the liability cannot be accurately quantified at a subsidiary level. On a group level this has not been provided for as the likelihood of payments is unknown and considered to be possible rather than probable and the amount cannot yet be accurately quantified.

At the date of signing these financial statements the position remains uncertain, including whether or not any funding for any liability will be available.