

AVENUES SOUTH EAST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Charity Registration Number: 1079576

Company Registration Number: 03923486

AVENUES SOUTH EAST

Index	Page
Board members and executive directors	1
Board members' report and strategic report	2 - 10
Statement of trustees' responsibilities	11
Independent auditor's report	12 - 14
Statement of financial activities	15
Balance sheet	16
Notes to the financial statements	17 - 34

AVENUES SOUTH EAST

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: Andrew Bruce Calderwood

Rebecca Clutterbuck

Joel Glover

(To May 2018)

Clare Graham

(To September 2018)

Daria Kuznetsova

(To September 2018)

Paul Newton

Mark Devlin

(To June 2017)

Executive Trustees:

Steve Paul James

Group Chief Executive

Peter Snelling

Group Chief Operating Officer

Paul Wood

Regional Director (To August 2018)

Key Management Personnel

Dan Gower-Smith

Regional Director

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 1079576

COMPANY REGISTRATION NUMBER 03923486

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 SOUTH EAST

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 South 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 the rules of 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 South 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 South East.

Structure, Governance and Management

Structure

Avenues South East is a charitable company limited by guarantee and was incorporated in England and Wales on 7 February 2000. 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 South 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 three executives to become trustees.

Avenues South 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 South East is made up of two members of The Avenues Trust Group, four (formerly five) independent trustees who have no connection with the Avenues Group and three 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:

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

- Members of The Avenues Trust Group: Bruce Calderwood, Clare Graham (resigned September 2018) (Audit and Finance Committee).
- Independent trustees: Rebecca Clutterbuck, Joel Glover (resigned May 2018), Daria Kuznetsova (resigned September 2018), Paul Newton
- Executive Trustees: Steve James, Peter Snelling, Paul Wood (resigned August 2018).

The Regional Directors are Paul Wood and Dan Gower-Smith, 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 overseeing 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).

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

We have also overseen a project to monitor 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 South 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.

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 South 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

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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 South East is defined in the context of being a key part of the Avenues Group. The focus for Avenues South East will continue to 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.

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 subsidiary board and group Audit Committee, which, in turn, reports on risk to the Group Board on a quarterly basis. The risks identified in 2016/17 relating to recruitment and retention of staff and therefore the control of agency expenditure, have continued to be a challenge in 2017/18 and have impacted the financial results. Going forward this remains a risk along with higher than anticipated void levels in services.

Principal risks and uncertainties

The key risks identified for 2018/19 are the potential loss of contracts, control of agency spend. 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.

Objectives and Activities

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The charitable objects of Avenues South 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 South 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' reputation for delivering quality services is establishing us as a key player in the delivery of Transforming Care programme, and has further strengthened our relationship with NHS England which leads the programme.

This means all Avenues subsidiaries are well positioned to deliver new complex services which move people from secure locations back into their home communities, fulfilling the Group's vision.

Our commitment to quality has been affirmed by the approval of a new Director of Quality role, in order that everyone we support benefits from the same high standards of service.

Local achievements include achieving a CQC rating of Outstanding for the second time for our domiciliary service.

We have developed a new service in Surrey, designed especially for those leaving, (or at risk of being admitted to) a unit for treatment and assessment.

We have focussed our efforts on improving recruitment and the subsequent reduction of agency use and filling the voids in residential services, as these have the biggest impact on the financial performance of the subsidiary. We have completed a financial sustainability review of all services and as a consequence have identified some services for closure.

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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 3.6% to £15.8m; however total expenditure for the year has increased by 5.7% and therefore the operating loss for the year was £0.83m, compared to a loss of £0.5m in the prior year. As a consequence the accumulated surplus is now shown at £0.2m.

The key factors in the adverse financial performance were an increase in the void levels and delays in growth whilst agency premiums remained high at £772k.

We expect to make a deficit in 2018/19 as it is recognised that it will take some time to address the void position and agency premium spend. Avenues South East is expected to return to surplus in 2019/20.

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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 and an example for each is shown below;

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 "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 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 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. Avenues South East had reserves in of £241k at March 2018, comprising:

	£000
- General funds	584
- Designated funds	75
- Restricted funds	10
- Pension scheme funding	(428)
TOTAL	241

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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. Notwithstanding, the group has taken steps to ensure that the deficit is not repeated in 2018/19 although it will take until 2019/20 before Avenues South East is expected to return to operating surplus.

Avenues South East has £241k in reserves, whilst working capital requirements are covered at a group level. The pension scheme deficit is for the long term, so has no significant bearing on the going concern assessment for Avenues South East.

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 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 £515k including interest and a potential for penalties of £1m. 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.

Future Plans

Our operational priorities are as follows:

- We will intergrate the South East's Surrey services with Welmede.
- We will implement our new Strategic Business Plan, 'Better Lives, Better Jobs and Better Business.

AVENUES SOUTH EAST

BOARD MEMBERS' REPORT AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

- We will continue to develop services for people from the Transforming Care cohort.
- We will re-introduce Active Support in line with the wider group.
- We will continue to work with Comissioners to ensure the fees paid are appropriate for the services we provide.
- We will contine to focus on recruitment and the reduction of agency use and filling the voids in residential services to ensure financial sustainability.
- We will continue to implement My Plan across the South East.

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 11 October 2018 and signed on its behalf by



Andrew Bruce Calderwood
Chairman

Date: 11 October 2018

AVENUES SOUTH EAST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Avenues South 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 UK AUDIT LLP has indicated its willingness to continue in office.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENUES SOUTH EAST

Opinion on financial statements

We have audited the financial statements of Avenues South 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.

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 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENUES SOUTH EAST

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 11, 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENUES SOUTH EAST

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

Our 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
25 October 2018

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

		Unrestricted	Unrestricted	Restricted		
	Notes	General	Pensions	Funds	Total	Total
		Funds	Reserve		2018	2017
		£000s	£000s	£000s	£000s	£000s
INCOME						
Donations and Legacies						
Legacies	3	-	-	-	-	75
Donations	3	-	-	-	-	5
		-	-	-	-	80
Charitable activities						
Provision of care to young people	3	1,751	-	-	1,751	1,918
Services to adults	3	13,185	-	-	13,185	12,281
Services to older people	3	813	-	-	813	910
Other income	3	34	-	-	34	42
		15,783	-	-	15,783	15,151
Total		15,783	-	-	15,783	15,231
EXPENDITURE						
Charitable activities:						
Provision of care to young people	2	1,963	-	-	1,963	1,995
Services to Adults	2	13,715	(62)	-	13,653	12,773
Services to Older People	2	995	-	-	995	970
Total		16,673	(62)	-	16,611	15,738
Net (expenditure)/income		(890)	62	-	(828)	(507)
Fund balances brought forward	9	1,549	(490)	10	1,069	1,576
Fund balances carried forward	9	659	(428)	10	241	1,069

The notes on pages 17 to 34 form part of these financial statements

**AVENUES SOUTH EAST
BALANCE SHEET
AS AT 31 MARCH 2018
COMPANY NUMBER: 3923486**

	Notes	2018 £000s	2017 £000s
FIXED ASSETS			
Tangible assets	6	248	245
CURRENT ASSETS			
Debtors	7	1,328	2,446
Cash at bank and in hand		95	72
		1,423	2,518
CREDITORS falling due within one year	8	(903)	(1,072)
NET CURRENT ASSETS		520	1,446
CREDITORS falling due in more than one year	8	(99)	(132)
NET ASSETS EXCLUDING PENSION LIABILITY		669	1,559
Pension scheme liability	13	(428)	(490)
NET ASSETS INCLUDING PENSION LIABILITY		241	1,069
FUNDS			
Unrestricted funds:			
General funds	9	584	1,474
Pension scheme funding reserve	9	(428)	(490)
Designated Funds	9	75	75
		231	1,059
Restricted funds		10	10
TOTAL FUNDS		241	1,069

The notes on pages 17 to 34 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Trustees on 11 October 2018 and were signed on its behalf by:



Andrew Bruce Calderwood
Chairman of the Board

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

1. Accounting Policies

Avenues South 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 South 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 parent 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.

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

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. Notwithstanding, the group has taken steps to ensure that the deficit is not repeated in 2018/19 although it will take until 2019/20 before Avenues South East is expected to return to operating surplus. Avenues South East has £241k in reserves, whilst working capital requirements are covered at a group level. The pension scheme deficit is for the long term, so has no significant bearing on the going concern assessment for Avenues South East.

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 South 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 (e)) 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 8). Income is measured at the fair value of the consideration receivable.

Legacy income is recognised at the earlier of the charity being notified of a distribution or the probable receipt of a legacy.

d) Donated services and facilities

Donated professional services and donated facilities are recognised as income when received, provided the economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to Avenues South East 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.

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

e) 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 a capital grant and not deducted from the carrying amount of the asset.

f) 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;

Furniture and equipment	15-25% per annum on cost
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Depreciation of an asset commences from the point the asset is brought into use.

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

g) Pension Costs

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.

Avenues South East participates in one multi-employer and one unfunded pension scheme operated by the National Health Service. Further details of these schemes are set out in the notes to the financial statements. The contributions to these schemes, as advised by the scheme administrator, 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). 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.

Avenues South East previously has employees who were members of the Kent County Council defined benefit pension scheme. The assets of the scheme are held separately from those of the group. Avenues South East officially withdrew from the scheme on 1 April 2015 and as such no further contributions are being made. The withdrawal from the scheme resulted in the crystallisation of a liability of £231k. It was agreed to pay this over a period of seven years, attracting interest of £23k. This cost is being recognised in the statement of financial activities evenly over a seven year period.

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

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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

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

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.

p) 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.

q 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.

r) 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	2017
	£000s	£000s
Net (expenditure)/income is stated after charging:		
Depreciation of tangible fixed assets on owned assets	75	78
External Audit Fees	22	24
Internal Audit	5	-
Operating lease charges for motor vehicles and equipment	146	146
Operating lease charges for land and buildings	590	555
Loan interest	3	3

	Direct costs	Support costs	2018 Total	2017 Total
	£000s	£000s	£000s	£000s
Charitable activities:				
Provision of care to young people	1,741	222	1,963	1,995
Services to Adults	12,170	1,483	13,653	12,773
Services to Older People	891	104	995	970
Total charitable activities	14,802	1,809	16,611	15,738

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

The charitable activities provided by Avenues South 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	Services to Adults	Services to Older People	Total
	£000s	£000s	£000s	£000s
Income	1,751	13,185	813	15,749
Costs	(1,963)	(13,653)	(995)	(16,611)
Total	(212)	(468)	(182)	(862)

Expenditure on charitable activities was £16,611k (2017: £15,738k) of which £16,611k was unrestricted (2017: £15,738k) and £nil was restricted (2017: £nil). These balances include the pension re-measurement adjustments of £62k (2017: £35k).

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.

Analysis of Expenditure

	Provision of care to young people	Services to Adults	Services to older people	Total
	£000s	£000s	£000s	£000s
Support costs	218	1,457	102	1,777
Governance	4	26	2	32
	222	1,483	104	1,809

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

2. Expenditure (continued)

	General Support	Governance	Total
	£000s	£000s	£000s
Analysis of Support costs:			
EMT and Governance	357	10	367
Group Finance	631	22	653
Group Human Resources	424	-	424
Group Office Management	217	-	217
Group Practice Development & Assurance	148	-	148
	1,777	32	1,809

3. Other Income

Income from Donations and Legacies was £nil (2017: £80k) of which £nil was unrestricted (2017: £75k) and £nil was restricted (2017: £5k). Income from Charitable activities was £15,783k (2017: £15,151k) of which £15,783k was unrestricted (2017: £15,151k) and £nil was restricted (2017: £5k).

	2018 £000s	2017 £000s
Other incoming resources:		
Pension funding receivable from purchasers	35	42
	35	42

4. Trustees' remuneration

The trustees are the directors of the company. No remuneration or pension contributions were paid to the trustees. During 2017/18 one trustee (2017: 2) was reimbursed expenses of £17 (2017: £813) for travel expenses.

S James, Group Chief Executive, is also a trustee of Avenues South 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 South East. During the 2017/18 financial year he received £98k (2017: £98k) in remuneration including £3k of pension contributions (2017: £3k) 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.

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

P Wood, Managing Director of Avenues South East, is also a trustee of Avenues South East. During the year 2017/18 P Wood received remuneration of £78k (2017: £67k) including pension contributions of £4k (2016: £4k) from Avenues South East in respect of his role as Managing Director of Avenues South East. 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 which is a collective premium to cover Trustees Liability.

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

5. Staff costs and key management personnel

	2018	2017
The number of employees whose emoluments exceeded £60k were:		
£60k - £70k	1	1

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

	No. 2018	No. 2017	FTE 2018	FTE 2017
Office staff	10	10	10	10
Care staff	265	239	258	252
Part-time support staff	169	163	110	102
Bank contract staff	-	3	-	-
TOTAL	444	415	378	364

	2018 £000s	2017 £000s
Staff costs		
Wages and salaries	9,987	9,402
Social security costs	761	724
Pension costs (Note 13)	145	142
Agency staff	1,756	1,511
	12,649	11,779

Included in the costs above are the costs of staff on Bank contracts. The contracts of employment for Bank staff are held with The Avenues Group and the costs are charged to Avenues South East for work provided.

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

5. Staff costs and key management personnel (continued)

The key management personnel of the Avenues South 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 South East share of these costs along with the total cost of the two Regional Directors are shown below;

	2018	2017
	£000s	£000s
Wages and salaries	246	321
Social security costs	31	39
Pension costs	21	17
Total	298	377

6. Tangible fixed assets

	Furniture & equipment £000s
Cost	
At 1 April 2017	1,539
Additions	98
Disposals	(20)
At 31 MARCH 2018	1,617
Depreciation	
At 1 April 2017	1,294
Charge for year	90
Disposals	(15)
At 31 MARCH 2018	1,369
Net book value	
At 31 MARCH 2018	248
At 31 March 2017	245

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

7. Debtors

	2018	2017
	£000s	£000s
Contract fees receivable	968	894
Other debtors	34	52
Prepayments and accrued income	326	262
Amounts owed by other Group undertakings	-	1,238
	1,328	2,446

8. Creditors

	2018	2017
	£000s	£000s
Amounts falling due within one year:		
Trade creditors	120	365
Other taxation and social security	212	185
Other creditors	227	225
Accrued expenditure and deferred income	186	246
Amounts owed to other Group undertakings	158	51
	903	1,072

Included in other creditors are amounts totalling to £26K (2017: £23k) in respect of outstanding pension contributions.

	2018	2017
	£000s	£000s
Amounts falling due in more than one year:		
Total loans	132	165
The loan is repayable as follows:		
Due within one year	33	33
Between one and two years	33	33
Between two and five years	66	99
Total	132	165
Less: due within one year	(33)	(33)
Amount due after one year	99	132

Avenues South East previously had employees who were members of the Kent County Council defined benefit pension scheme. The assets of the scheme are held separately from those of the group. Avenues South East officially withdrew from the scheme on 1 April 2015 and as such no further contributions are being made. The withdrawal from the scheme resulted in the crystallisation of a liability of £231,000. It was agreed to pay this over a period of 7 years, attracting interest of £23,000. This cost

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

8. Creditors (continued)

is being recognised in the statement of financial activities evenly over the seven year period.

	2018	2017
	£000s	£000s
Movements in deferred income:		
Deferred income at the beginning of the year	125	229
Income recognised in the year	(125)	(229)
Income deferred in the current year	34	125
Income deferred at the year end	34	125

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.

9. Analysis of net movement in funds

	1 April 2017 £000s	Income £000s	Expenditure £000s	31 March 2018 £000s
Unrestricted funds:				
General reserve	1,474	15,783	(16,673)	584
Designated Fund - Chelsham Lodge	75	-	-	75
Pension reserve	(490)	-	62	(428)
Restricted funds				
Garden Fund	10	-	-	10
TOTAL FUNDS OF THE CHARITY	1,069	15,783	(16,611)	241

	1 April 2016 £000s	Income £000s	Expenditure £000s	31 March 2017 £000s
Analysis of movements in funds - previous year				
Unrestricted funds:				
General reserve	2,096	15,151	(15,773)	1,474
Designated Fund - Chelsham Lodge	-	75	-	75
Pension reserve	(525)	-	35	(490)
Restricted funds				
Garden Fund	5	5	-	10
TOTAL FUNDS OF THE CHARITY	1,576	15,231	(15,738)	1,069

The general reserve represents the funds of the charity which are not designated for particular purposes.

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

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

9. Analysis of net movement in funds (continued)

The restricted fund is comprised of the Garden Fund provided by Santander for the renovation of a Garden at Wilson Avenue.

The Chelsham Lodge designated fund is a legacy left to Avenues in relation to a person supported at Chelsham Lodge. The Trustees have decided that the legacy should be used for this service, as such a designated fund has been set up.

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

	Restricted	Unrestricted	Unrestricted Pension	2018
	Fund	Funds	Fund	Total
	£000s	£000s	£000s	£000s
Fund balances at 31 March 2018 are represented by:				
Tangible fixed assets	-	248	-	248
Current assets	10	1,413	-	1,423
Current liabilities	-	(903)	-	(903)
Long term liabilities	-	(99)	-	(99)
TOTAL FUNDS BEFORE PENSION LIABILITY	10	659	-	669
Pension scheme funding reserve	-	-	(428)	(428)
TOTAL FUNDS OF THE CHARITY INCLUDING PENSION SCHEME RESERVE	10	659	(428)	241

	Restricted	Unrestricted	Unrestricted Pension	2017
	Fund	Funds	Fund	Total
	£000s	£000s	£000s	£000s
PRIOR YEAR BALANCES				
Fund balances at 31 March 2017 are represented by:				
Tangible fixed assets	-	245	-	245
Current assets	10	2,508	-	2,518
Current liabilities	-	(1,072)	-	(1,072)
Long term liabilities	-	(132)	-	(132)
TOTAL FUNDS BEFORE PENSION LIABILITY	10	1,549	-	1,559
Pension scheme funding reserve	-	-	(490)	(490)
TOTAL FUNDS OF THE CHARITY INCLUDING PENSION SCHEME RESERVE	10	1,549	(490)	1,069

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

11. Operating lease commitments

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

	2018 £000s	2017 £000s
Land and Buildings		
Expiry date:		
Within one year	330	308
Between one and five years	1,084	769
Over five years	590	382
Vehicles and equipment		
Expiry date:		
Within one year	102	10
Between one and five years	142	122

12. Investment policy and position

The banking activities for Avenues South East were managed by The Avenues Group.

13. Pension obligations

Avenues South 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 £000s	2016/7 £000s	2017/18 No.	2016/17 No.
Pensions Trust SHPS	116	114	331	325
NHS Pension	6	6	3	3
Pensions Trust SHPS Closed scheme	23	22	6	6
Per Note 5	145	142	340	334

Defined Contribution Schemes

Social Housing Pension Scheme which is also referred to as 'The Pensions Trust', is a defined contribution scheme. This was introduced in the last financial year. The contributions paid to this scheme by the group are charged to the Statement of Financial Activities as they fall due.

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

13. Pension obligations (continued)

National Health Service

The NHS operates an unfunded defined benefit scheme for the nursing sector, in which Avenues South East participates. Avenues South East is granted permission by the Secretary of State to be able to contribute to the cost of the scheme as a 'Directed Employer' (an employer that can continue to have non NHS employed staff as members of the NHS pension scheme).

The cost represents the contributions advised by the NHS Pensions Agency. Avenues South East is not liable for past service costs beyond these contributions. Contributions increased to 14% from 1 April 2005.

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

Avenues South 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.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

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

13. Pension obligations (continued)

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

PRESENT VALUES OF PROVISION

	31-Mar-18	31-Mar-17	31-Mar-16
	(£000s)	(£000s)	(£000s)
Present value of provision	428	490	525

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Year Ending 31-Mar-17 (£000s)	Year Ending 31-Mar-17 (£000s)
Provision at start of year	490	525
Unwinding of the discount factor (interest expense)	6	10
Deficit contribution paid	(62)	(60)
Remeasurements - impact of any change in assumptions	(6)	15
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of year	428	490

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

13. Pension obligations (continued)

SOFA IMPACT

	Year Ending 31-Mar-18 (£000s)	Year Ending 31-Mar-17 (£000s)
Interest expense	6	10
Remeasurements – impact of any change in assumptions	(6)	15
Remeasurements – amendments to the contribution schedule	-	-

ASSUMPTIONS

	31-Mar-18 % per annum	31-Mar-17 % per annum	31-Mar-16 % per annum
Rate of discount	1.72	1.33	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.

Kent County Council

Kent County Council operates a funded, defined benefit scheme. As Avenues South East withdrew from the scheme in 2014/15, there are no more contributions to be made.

On 1st April 2015, the employees were formally transferred out of this scheme, which triggered a cessation event. The cessation cost was calculated at £231,000. It has been agreed with the Trustees of the scheme that the payments can be made over seven years, attracting interest of £23,000. The total of £254,000 will be accounted for evenly over the seven period, though there is an option for earlier repayment, which would reduce the associated interest charge.

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

14. Related Party Transactions

As a member of the Avenues Trust Group, Avenues South 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 South East against the total salary costs of the group.

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

	2018	2017
	£000s	£000s
Balance due at 1 April	1,187	1,375
Payroll services provided by group companies	(11,124)	(11,779)
Receipts taken on behalf of group companies	15,955	15,159
Payments made on behalf of group companies	(4,399)	(1,593)
Recharges of head office costs	(1,777)	(1,975)
Balance due at 31 March	<u>(158)</u>	<u>1,187</u>

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 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.

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

16. 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 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 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.

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