

**AVENUES SOUTH EAST**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Charity Registration Number: 1079576

Company Registration Number: 03923486

## **AVENUES SOUTH EAST**

Index	Page
Reference and administrative details of the charity, its advisers and trustees	1
Trustees report and strategic report	2 - 10
Statement of trustees' responsibilities	11
Independent auditor's report	12 - 15
Statement of financial activities	16
Balance sheet	17
Notes to the financial statements	18 - 35

## **AVENUES SOUTH EAST**

### **BOARD MEMBERS AND EXECUTIVE TRUSTEES**

#### **FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019**

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

##### **Board Members**

**Chairman:** Andrew Bruce Calderwood (Member of The Avenues Trust Group)

Alistair Oag (From March 2019) (Member of the Avenues Trust Group and Chair of Finance and Audit Committees)

##### **Independent Trustees:**

Paul Newton

Rebecca Clutterbuck

Joel Glover

Clare Graham

Daria Kuznetsova

(To March 2019)

(To May 2018)

(To September 2018) (Member of the Audit and Finance Committees)

(To September 2018)

##### **Executive Trustees:**

Steve Paul James

Peter Snelling

Paul Wood

Group Chief Executive (To May 2019)

Group Chief Operating Officer

Regional Director (To August 2018)

##### **Key Management Personnel**

Dan Gower-Smith

Joanne Land

Nicola Ford

Steven Parker

Carol Jones

Lauren Osman

Regional Director

Group Deputy Chief Executive (Interim Chief Executive from May 2019)

Group Director of Finance

Group Director of Housing and Development (From February 2019)

Group Director of Quality, Practice Development and Assurance (From August 2018)

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 4AA. Trowers & Hamlin, 3 Bunhill Row, London EC1Y 8YZ.

## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

The Board presents herewith its Annual Report and the audited financial statements of Avenues South East for the year ended 31 March 2019. 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 the 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 2019 and the 2018 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 by 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 Company 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 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.

## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

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.

#### **Governance**

The Board members are set out on Page 1.

The Board meets four to five times a year and more frequently if required, and is responsible for determining the strategy of the organisation and for ensuring successful operational performance, in line with the expectations of stakeholders. Avenues Group has four sub-committees which serve the whole group. Each sub-committee is made up of The Avenues Trust Group board members plus subsidiary trustee representatives. The sub-committees are Audit, Finance, Remuneration and Board Appointments. Sub-committees report directly to the Group board and the subsidiary representative role is to feedback to the subsidiary boards. The sub-committees meet at least twice per year and report directly to the Group Board. The subsidiary representative role is to feedback to the subsidiary boards. The Avenues Group also contracts the services of an Internal Auditor, TIAA, who report to the Group Board, via the Audit sub-committee. The internal audit programme is agreed each year at the Audit sub-committee.

The Group recognises the importance of good governance and uses the Code of Good Governance to inform governance policies. All Trustees are made aware on appointment of their responsibilities under the code.

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. Trustees serve a period of four years, with an option to extend for a further three years. In addition to making direct approaches to suitable candidates, Avenues may advertise for Trustees through Social Care notice boards, networks or in the media. When a recruitment need is identified the Company Secretary works with the relevant board or committee to carry out a skills audit before a recruitment campaign begins. Policies and procedures are in place for the induction and training of new trustees.

Over the last year the Avenues Trust Group Board has been searching for a new Chief Executive following the announcement of the retirement of Steve James. This search will continue into 2019/20. The Group also commenced a review of the Governance structure of the Group to ensure it is fit for purpose going forward and this is expected to conclude in 2019/20. Avenues South East Trustees have played an active part in this

## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

process. Given this review, Avenues South East has deferred recruiting additional Independent trustees, until the review is complete and decisions are made.

We have endeavoured to ensure our compliance with the General Data Protection Regulation which came into force in May 2018. Avenues has always taken data protection seriously and continues to strengthen our policies and procedures to ensure that the protection of people's information remains a high priority.

#### **Public Benefit**

The Avenues Group 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 for people needing support than hospital care, and significant savings to the public purse.

We have an ongoing commitment to the cohort of people previously identified by the Government's national Transforming Care strategy, as we seek to support them to leave assessment and treatment units (ATUs) and move back to their local areas, and into their own homes. The leadership team works at a strategic level to help drive this work forward, enabling 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. 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 endeavours to take 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.

Avenues South East 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



## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

advance the efficacy of the care we provide and therefore reduce people's support needs over time.

Avenues retains Silver accreditation from 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.

The Trustees have read the Charity Commission guidance on public benefit and have paid due regard to the guidance in preparing their statements on public benefit in this report.

#### **Strategy**

The strategic direction of Avenues South East is set within the context of the overall Avenues Group strategy as a whole. The focus of the 3 year strategic plan starting in 2018/19 is on providing high-quality, and consistently improving services to everyone it supports, throughout their lives. This will be achieved locally by full commitment to Active Support and Positive Behavioural Support practices, with these as the foundation of each individual service. This operational activity will be consolidated at strategic management level by work to reduce the use of agency staff, and improved recruitment and retention, to improve the consistency of services to the people we support.

#### **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 all members of Avenues Group including the subsidiary Board and Audit Committee. The risks identified in 2018/19 relating to recruitment and retention of staff and the control of agency expenditure were a challenge throughout the year, although agency spend is improving and better controlled. The risk around high void levels was realised in the early part of 2018/19 but levels were much lower towards the end of the year.

#### **Principal risks and uncertainties**

The key risks identified for 2019/20 are the potential loss of contracts and recruitment/control of agency spend. The national issue on "sleep-ins" affects the

## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

Avenues Group as a whole: actions have been taken to mitigate the risks, reflecting best professional advice at this time.

#### **Objectives and Activities**

The charitable objects of Avenues South East are to 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.

#### **Achievements and Performance**

Avenues South East introduced a balanced scorecard for quarterly reporting from the 1 April 2018 and this has been completed on a monthly basis for 2018/19. 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 "Good" or "Outstanding" by CQC. We have a target of 95% of services and for the year ended 31 March 2019, all our services were rated good or outstanding.

Along with Active Support we continue to imbed the practice of Positive Behaviour Support (PBS). We have worked with the Groups PBS and Active Support Leads to enhance the support services offered where required.

We have supported a number of Assistant Service Managers and Service Managers through their QCF Level 5 or 7 qualifications. This is in addition to our support staff completing their QCF Level 2/3. We also recognise that, in addition to the QCF qualification, we need to ensure that we train our employees in a range of additional courses that are above the statutory courses for adult social care.

##### 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 2019 this stood at 85%. Both sickness and vacancy rates have improved compared to March 2018. Sickness rates reduced from 6% to 5.3% (target of 4%) and vacancy rates reduced from 23% to 22% (target of 20%).



## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

##### 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 during the year ended March 2019 this was 21% (26% in 2018). This represents 6% of income and includes services under review together with newly established services which are expected to make a surplus going forward.

However, we have reduced the level of voids over the course of the year, reduced the number of vacancies and reduced the number of times we needed to employ relief staff. This will have a positive impact on loss making services.

We have also planned and opened a shared supported living service in East Kent and developed a new service in Surrey, designed especially for those leaving, or at risk of being admitted to, a unit for treatment and assessment.

##### **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.

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 strategy.

#### **FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019**

Total income decreased by 3.5% to £15.2m; however total expenditure for the year has decreased by 6.8% and therefore the operating loss for the year was £0.26m,

## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

compared to a loss of £0.83m in the prior year. In addition to this due to a change in the pension accounting for the Social Housing Pension Scheme (SHPS) which has resulted in an increase in the pension liability of £162k (See note 13) the accumulated deficit is now shown at £0.18m.

The key factors in the adverse financial performance were higher than predicted void levels in the first part of the year, and delays in growth which were offset by staff salary savings and a reduction of £246k in agency premiums compared to the prior year.

However, both void levels and agency levels have reduced over the course of the year, and some of the planned growth took place at the end of the year which will have a positive impact on 2019/20.

#### **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 group free reserves of £1.5m. Avenues South East had deficit reserves of £179k at March 2019, comprising:

	<b>£000</b>
- General funds	346
- Designated funds	75
- Restricted funds	10
- Pension scheme funding	(610)
<b>TOTAL</b>	<b>(179)</b>

#### **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. Steps have been taken by Avenues South East with a view to ensuring that the deficit is not repeated in 2019/20.

## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

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 following the Court of Appeal's decision in the Mencap case (*Royal Mencap Society v Tomlinson-Blake and Shannon v Rampersad (t/a Clifton House Residential Home)*) currently, as the law stands today (and will continue to be the case until the Supreme Court hears the appeal – no date as yet for this) there is no liability for any back pay relating to sleep-in payments.

#### **Post Balance Sheet Events**

Post year end the Subsidiary Boards and Group Board have approved a process of debt equalisation across the group to ensure that all entities are in a positive net asset position going forward. See note 15.

#### **Future Plans**

Our operational priorities are as follows:

- To implement our Strategic Business Plan, 'Better Lives, Better Jobs and Better Business'.
- To further improve our technology based systems and be an active member of the Groups Business Systems projects. We want to continue to improve our carbon footprint and to be as efficient as possible in terms of the environment and processes, giving all employees more time to carry out their key duties.
- To continue to embed the principles of Active Support within all services but also include the Positive Behaviour Support principles where required. We will support employees working in services that support individuals with behaviours that challenge, with the opportunity to complete formal qualifications in Positive Behaviour Support.
- Our 3 Year and 5 Year Service Review plan will be finalised and approved by our board of Trustees. This will include ensuring our services are not only fit for the future but they are financial sustainable. We will also continue to offer services to adults with a Learning Disability and who have complex needs either due to their health/physical needs or who have been previously identified by the Transforming Care programme.
- To strengthen our relationship with our Housing partners to enable the organisation to grow and develop.

## **AVENUES SOUTH EAST**

### **TRUSTEE'S REPORT AND STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

- Our financial performance and position will continue to be a focus and the use of relief staff will need to reduce throughout the financial year. This will run alongside the work we will continue with our recruitment team to improve our vacancy rates and offer local people local jobs.
- To continue to recruit the best possible people as well as continue to train our existing workforce and ensure the organisation is supported by a robust succession plan.
- To continue to provide consistent, high-quality services to everyone we support.

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<sup>th</sup> October 2019 and signed on its behalf by



Andrew Bruce Calderwood  
**Chairman**

Date: 10<sup>th</sup> October 2019

## **AVENUES SOUTH EAST**

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

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.



## **AVENUES SOUTH EAST**

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

#### **Opinion**

We have audited the financial statements of Avenues South East (the 'charitable company') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, 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 2019 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.

## **AVENUES SOUTH EAST**

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

#### **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 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.

#### **Opinions 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, which includes the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board Members' Report and the 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 or the 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.

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

**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.

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.

**AVENUES SOUTH EAST**

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

*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 *22 November 2019*

**AVENUES SOUTH EAST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**(Including Income and Expenditure Account)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

		Unrestricted	Unrestricted	Restricted		
	Notes	General	Pensions	Funds	Total	Total
		Funds	Reserve		2019	2018
		£000s	£000s	£000s	£000s	£000s
<b>INCOME</b>						
<b>Charitable activities</b>						
Provision of care to young people	2	1,393	-	-	1,393	1,751
Services to adults	2	13,001	-	-	13,001	13,185
Services to older people	2	788	-	-	788	813
Other income	3	42	-	-	42	34
		<u>15,224</u>	<u>-</u>	<u>-</u>	<u>15,224</u>	<u>15,783</u>
<b>Total</b>		<u>15,224</u>	<u>-</u>	<u>-</u>	<u>15,224</u>	<u>15,783</u>
<b>EXPENDITURE</b>						
<b>Charitable activities:</b>						
Provision of care to young people	2	1,445	-	-	1,445	1,963
Services to Adults	2	13,240	20	-	13,260	13,653
Services to Older People	2	777	-	-	777	995
		<u>15,462</u>	<u>20</u>	<u>-</u>	<u>15,482</u>	<u>16,611</u>
<b>Total</b>		<u>15,462</u>	<u>20</u>	<u>-</u>	<u>15,482</u>	<u>16,611</u>
Net (expenditure)/income		<u>(238)</u>	<u>(20)</u>	<u>-</u>	<u>(258)</u>	<u>(828)</u>
<b>Reconciliation of funds:</b>						
Initial Recognition of the defined benefit pension scheme.	13	-	(86)	-	(86)	-
Actuarial loss in respect of pensions schemes	13	-	(76)	-	(76)	-
Fund balances brought forward	9	659	(428)	10	241	1,069
<b>Fund balances carried forward</b>	<b>9</b>	<u><b>421</b></u>	<u><b>(610)</b></u>	<u><b>10</b></u>	<u><b>(179)</b></u>	<u><b>241</b></u>

The notes on pages 18 to 35 form part of these financial statements

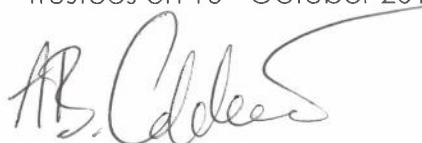


**AVENUES SOUTH EAST  
BALANCE SHEET  
AS AT 31 MARCH 2019  
COMPANY NO :03923486**

	Notes	2019 £000s	2018 £000s
<b>FIXED ASSETS</b>			
Tangible assets	6	276	248
<b>CURRENT ASSETS</b>			
Debtors	7	1,585	1,328
Cash at bank and in hand		35	95
		<b>1,620</b>	<b>1,423</b>
<b>CREDITORS</b> falling due within one year	8	(1,399)	(903)
<b>NET CURRENT ASSETS</b>		<b>221</b>	<b>520</b>
<b>CREDITORS</b> falling due in more than one year	8	(66)	(99)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<b>431</b>	<b>669</b>
Pension scheme liability	13	(610)	(428)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>(179)</b>	<b>241</b>
<b>FUNDS</b>			
Unrestricted funds:			
General funds	9	346	584
Pension scheme funding reserve	9	(610)	(428)
Designated Funds	9	75	75
		<b>(189)</b>	<b>231</b>
Restricted funds	9	10	10
<b>TOTAL FUNDS</b>		<b>(179)</b>	<b>241</b>

The notes on pages 18 to 35 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Trustees on 10<sup>th</sup> October 2019 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 2019**

**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 2019**

**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. 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.

Post year end the Subsidiary Boards and Group Board have approved a process of debt equalisation across the group to ensure that all entities are in a positive net asset position going forward. See note 14

**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.

**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

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

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
-------------------------	--------------------------

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. As at 31 March 2019 the schemes actuaries have provided each employers organisation with its defined benefit liability together with comparative information as at 31 March 2018 this the scheme is now treated as a defined benefit scheme in accordance with FRS102.

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.

**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.



**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

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

**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 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

**m) Debtors**

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

**n) Cash and cash equivalents**

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

**o) Creditors and provisions**

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



**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**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**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Net (expenditure)/income is stated after charging:</b>		
Depreciation of tangible fixed assets on owned assets	82	75
External Audit Fees	18	22
Internal Audit	-	5
Operating lease charges for motor vehicles and equipment	104	146
Operating lease charges for land and buildings	354	590
Loan interest	3	3

	<b>Direct costs</b>	<b>Support costs</b>	<b>2019 Total</b>	<b>2018 Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Charitable activities:</b>				
Provision of care to young people	1,302	143	<b>1,445</b>	1,963
Services to Adults	11,990	1,270	<b>13,260</b>	13,653
Services to Older People	704	73	<b>777</b>	995
<b>Total charitable activities</b>	<b>13,996</b>	<b>1,486</b>	<b>15,482</b>	<b>16,611</b>

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**

	<b>Provision of care to young people</b>	<b>Services to Adults</b>	<b>Services to Older People</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Income	1,393	13,001	788	15,182
Costs	(1,445)	(13,260)	(777)	(15,482)
<b>Total</b>	<b>(52)</b>	<b>(259)</b>	<b>11</b>	<b>(300)</b>

Expenditure on charitable activities was £15,482k (2018: £16,611k) of which £15,482k was unrestricted (2018: £16,611k) and £nil was restricted (2018: £nil). These balances include the pension re-measurement adjustments of £20k (2018: £62k).

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**2. Expenditure (continued)**

**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 were allocated on the basis of salary costs for each activity in previous years, however from March 2018 these are now allocated on a blended percentage rate which provides fairer allocation of costs. Refer to the table below for the analysis of support and governance costs.

**Analysis of Expenditure**

	General support £000s	Governance function £000s	Total £000s
EMT & Governance	297	-	297
Group Finance	465	18	483
Group HR	372	-	372
Group Office Management	197	-	197
Group Practice Development & Assurance	137	-	137
	<b>1,468</b>	<b>18</b>	<b>1,486</b>

	Provision of care to young people £000s	Services to Adults £000s	Services to older people £000s	Total £000s
Support costs	141	1,255	72	1,468
Governance	2	15	1	18
	<b>143</b>	<b>1,270</b>	<b>73</b>	<b>1,486</b>

**3. Other Income**

Income from Charitable activities was £15,224k (2018: £15,783k) of which £15,224k was unrestricted (2018: £15,783k) and £nil was restricted (2018: £nil).

	2019 £000s	2018 £000s
<b>Other incoming resources:</b>		
Pension funding receivable from purchasers	42	34
	<b>42</b>	<b>34</b>

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**4. Trustees' remuneration**

The trustees are the directors of the company. No remuneration or pension contributions were paid to the trustees. During 2018/19 no trustee (2018: 1) was reimbursed expenses of £nil (2018: £17) for travel expenses.

S James, Group Chief Executive to May 2019, is also a trustee of Avenues South East. During the year S James received £134k (2018: £134k) in remuneration including £nil of pension contributions (2018: £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 2018/19 financial year he received £114k (2018: £102k) in remuneration including £9k of pension contributions (2018: £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.

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**

	2019	2018
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. 2019	No. 2018	FTE 2019	FTE 2018
Office staff	9	10	8	10
Care staff	263	265	263	258
Part-time support staff	158	169	105	110
<b>TOTAL</b>	<b>430</b>	<b>444</b>	<b>376</b>	<b>378</b>

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2019

**5. Staff costs and key management personnel (continued)**

	2019	2018
	£000s	£000s
Staff costs		
Wages and salaries	9,724	9,987
Social security costs	727	761
Pension costs (Note 13)	202	145
Agency staff	1,235	1,756
	<b>11,888</b>	<b>12,649</b>

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.

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:

	2019	2018
	£000s	£000s
Wages and salaries	222	246
Social security costs	28	31
Pension costs	16	21
Total	<b>266</b>	<b>298</b>

**6. Tangible fixed assets**

	Furniture & equipment £000s
<b>Cost</b>	
At 1 April 2018	1,617
Additions	110
<b>At 31 MARCH 2019</b>	<b>1,727</b>
<b>Depreciation</b>	
At 1 April 2018	1,369
Charge for year	82
<b>At 31 MARCH 2019</b>	<b>1,451</b>
<b>Net book value</b>	
<b>At 31 MARCH 2019</b>	<b>276</b>
At 31 March 2018	<b>248</b>

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**7. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Contract fees receivable	1,375	968
Other debtors	53	34
Prepayments and accrued income	157	326
	<b>1,585</b>	<b>1,328</b>

**8. Creditors**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	177	120
Other taxation and social security	280	212
Other creditors	120	227
Accrued expenditure and deferred income	739	186
Amounts owed to other Group undertakings	83	158
	<b>1,399</b>	<b>903</b>

**Amounts falling due in more than one year:**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Total loans	132	132
The loan is repayable as follows:		
Due within one year	33	33
Between one and two years	66	33
Between two and five years	-	66
Total	99	132
Less: due within one year	(33)	(33)
Amount due after one year	<b>66</b>	<b>99</b>

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



**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**8. Creditors (continued)**

	2019	2018
	£000s	£000s
<b>Movements in deferred income:</b>		
Deferred income at the beginning of the year	34	125
Income recognised in the year	(34)	(125)
Income deferred in the current year	417	34
Income deferred at the year end	<b>417</b>	<b>34</b>

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			31 March
	2018	Income	Expenditure	2019
	£000s	£000s	£000s	£000s
<b>Unrestricted funds:</b>				
General reserve	584	15,224	(15,462)	346
Designated Fund - Chelsham Lodge	75	-	-	75
Pension reserve	(428)	-	(20)	(448)
FRS102 Pension adjustment	-		(162)	(162)
<b>Restricted funds</b>				
Garden Fund	10	-	-	10
<b>TOTAL FUNDS OF THE CHARITY</b>	<b>241</b>	15,224	(15,644)	<b>(179)</b>

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

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 2019**

**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	2019
	Fund	Funds	Fund	Total
	£000s	£000s	£000s	£000s
<b>Fund balances at 31 March 2019 are represented by:</b>				
Tangible fixed assets	-	276	-	276
Current assets	10	1,610	-	1,620
Current liabilities	-	(1,399)	-	(1,399)
Long term liabilities	-	(66)	-	(66)
<b>TOTAL FUNDS BEFORE PENSION LIABILITY</b>	<b>10</b>	<b>421</b>	<b>-</b>	<b>431</b>
Pension scheme funding reserve	-	-	(610)	(610)
<b>TOTAL FUNDS OF THE CHARITY INCLUDING PENSION SCHEME RESERVE</b>	<b>10</b>	<b>421</b>	<b>(610)</b>	<b>(179)</b>

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

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**11. Operating lease commitments**

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

	2019 £000s	2018 £000s
<b>Land and Buildings</b>		
Expiry date:		
Within one year	349	330
Between one and five years	996	1,084
Over five years	451	590
<b>Vehicles and equipment</b>		
Expiry date:		
Within one year	84	102
Between one and five years	54	142

**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 2019 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:

	2018/19 £000s	2017/18 £000s	2018/19 No.	2017/18 No.
Pensions Trust SHPS	174	116	371	331
NHS Pension	5	6	2	3
Pensions Trust SHPS Closed scheme	23	23	6	6
Per Note 5	<b>202</b>	<b>145</b>		

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

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

'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 : Defined Contribution

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.

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 900 non-associated employers. The scheme is a defined benefit scheme in the UK.

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.

The liabilities recognised in the balance sheet are as follows:

	<b>SHPS</b>	<b>2019</b>
	<b>£'000</b>	<b>Total</b>
		<b>£'000</b>
Liabilities brought forward	428	<b>428</b>
Initial Recognition Impact	86	<b>86</b>
Actuarial Movements	76	<b>76</b>
Actuarial Movements 18/19	20	<b>20</b>
	<b>610</b>	<b>610</b>

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**13. Pension obligations (continued)**

**Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)**

	31-Mar-19	31-Mar-18
	£'000's	£'000's
Fair Value of plan assets	2,126	2,201
Present value of defined benefit obligation	2,736	2,791
Surplus (deficit) in plan	(610)	(590)
Unrecognised Surplus	-	-
Defined Benefit asset (liability) to be recognised	(610)	(590)

**Reconciliation of the Impact of the Asset Ceiling**

**Period ended 31st March 2019**

	£'000's
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest co:	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

**Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation**

	Period ended 31st March 2019 £'000's
Defined benefit obligation at start of period	2,791
Current service cost	-
Expenses	2
Interest expense	68
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(81)
Actuarial losses (gains) due to changes in demographic assumption	7
Actuarial losses (gains) due to changes in financial assumptions	150
Benefits paid and expenses	(201)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	<b>2,736</b>



**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**13. Pension obligations (continued)**

**Reconciliation Of Opening And Closing Balances Of The Fair Value of Plan Assets**

	Period ended 31st March 2019 £'000's
Fair value of plan assets at start of period	2,201
Interest income	54
Experience on plan assets (excluding amounts included in Contributions by the employer	6
Contributions by the employer	66
Contributions by plan participants	-
Benefits paid and expenses	(201)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	<b>2,126</b>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £60,000

**Defined Benefit Costs Recognised In Statement Of Comprehensive Income (SOCl)**

	Period ended 31st March 2019 £'000's
Current service cost	-
Expenses	2
Net interest expense	14
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	<b>16</b>

**Defined Benefit Costs Recognised In Other Comprehensive Income**

	Period ended 31st March 2019 £'000's
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	6
Experience gains and losses arising on the plan liabilities - gain (loss)	81
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(7)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(150)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	<b>(70)</b>
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	<b>(70)</b>

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2019

**13. Pension obligations (continued)**

<b>Assets</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>£'000's</b>	<b>£'000's</b>
Global Equity	358	435
Absolute Return	184	269
Distressed Opportunities	39	21
Credit Relative Value	39	-
Alternative Risk Premia	123	83
Fund of Hedge Funds	10	73
Emerging Markets Debt	73	89
Risk Sharing	64	20
Insurance-Linked Securities	61	58
Property	48	101
Infrastructure	111	56
Private Debt	29	20
Corporate Bond Fund	99	90
Long Lease Property	31	-
Secured Income	76	82
Over 15 Year Gilts	-	-
Liability Driven Investment	777	802
Net Current Assets	4	2
<b>Total assets</b>	<b>2,126</b>	<b>2,201</b>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

**Key Assumptions**

	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>% per annum</b>	<b>% per annum</b>
Discount Rate	2.28	2.54
Inflation (RPI)	3.30	3.20
Inflation (CPI)	2.30	2.20
Salary Growth	3.30	3.20
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

**The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:**

	<b>Life expectancy at age 65 (Years)</b>
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

### **13. Pension obligations (continued)**

#### 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.

### **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 these central costs based on a blended ratio of group costs.

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.

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Balance due at 1 April	(158)	1,187
Payroll services provided by group companies	(10,571)	(11,124)
Receipts taken on behalf of group companies	15,780	15,955
Payments made on behalf of group companies	(3,665)	(4,399)
Recharges of head office costs	(1,469)	(1,777)
Balance due at 31 March	<u>(83)</u>	<u>(158)</u>

### **15. Post Balance Sheet Events**

Post year end the Subsidiary Boards and Group Board have approved a process of debt equalisation across the group to ensure that all entities are in a positive net asset position going forward.

In order to achieve this Welmede (subsidiary of the Avenues Trust Group) has gifted an amount of £197k to Avenues South East and the parent entity has written off debt due from Avenues South East of £83k.

The net asset position of Avenues South East after this change is £100k (excluding any 2019/20 operational performance).

**AVENUES SOUTH EAST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**

**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 Trust 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.