

Company No: 02679915

Charity No: 1008587

ALTERNATIVE FUTURES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

ALTERNATIVE FUTURES GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

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ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

Report of the Trustees and Strategic Report

The Trustees, who are the Directors of the Charity for the purposes of the Companies Act 2006, have pleasure in presenting their Annual Report, together with the audited financial statements for the year ending 31st March 2017. The Trustees have prepared this report under the Companies Act 2006 and in accordance with the Charities Statement of Recommended Practice (SORP), in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and applicable accounting standards. This report evidences how we have delivered on our charitable purpose through our activities and the quality of our performance; and as a result, demonstrates the benefit to the public of the work undertaken by Alternative Futures Group Limited.

Foreword

We are delighted to report on what has been a very positive year for Alternative Futures Group: one where we have met the challenges set out in our last annual report and exceeded our projections for how we would meet those. Although 2016/17 was another difficult year in the health and social care sector it was a year during which Alternative Futures Group proved the value of taking the difficult decisions early to address the challenges faced by the organisation; ensuring that the charity can now, as we forecast last year, look forward to continue to build a more stable and exciting future.

Our decision in the summer of 2015 to move immediately to legal compliance with all the requirements around employment law and the action we put in place through our transformation programme over the 18-month period since has given us a safe and sustainable platform on which to build our ambition for an "alternative future". We have maintained our reputation as a quality provider with our regulators and commissioners, we have exceeded the testing financial targets we set for ourselves, and we have maintained a high level of morale across the organisation.

At the end 2015/16 we reported a planned deficit of £4.1m. At the end of 2016/17 this deficit has moved to a £0.6m surplus, a turnaround of £4.7m, £1.8m of this turnaround being due to investment growth turnaround. This is a positive position of which both the Board and the Executives are very proud. This was in the context of continuing to deliver high quality care and meeting more key performance indicators.

In addition to the implementation of a far-reaching Transformation Programme, 2016/17 has also seen the focussed concentration on our market place with the re-negotiation of some contracts and the rationalisation of others. On the ground this is exemplified by the planned closure of Abbey Court for dementia services and the opening of our new treatment and recovery Centre in Manchester, Tesito House. This provides an innovative therapeutic model for women with challenging mental health needs. Significant to the success of this has been the growing recognition by our commissioners of the changing environment and the pressures and requirements of compliance with the new employment law regulations.

As a result of the success of these measures, we have been able to set a balanced budget for 2017/18.

As a major care and support provider, we fall under the scrutiny of the Care Quality Commission (CQC) Financial Market Oversight Team, set up following the collapse of Southern Cross Care. During 2016/17 several meetings have been held between senior members of the Executive and the Chairs of the Board and the Audit and Risk Committee with the Market Oversight Team, and regular monitoring reports provided to the Team. Given the challenges facing the sector at the start of the year, we are pleased that the work we have carried through to address these issues, our strengthening financial position as a result, together with the ongoing discussions with the Market Oversight, have led to the development of a constructive and positive relationship between the organisations which we believe will help challenge and support Alternative Futures Group as we move forward.

Of equal importance to us is the quality of our services and we were delighted when the CQC Inspectorate rated all of our services and locations as *Good*, with no performance concerns or regulatory breaches, and to receive their confirmation in their letter that this performance is above the national average.

Looking forward, we have developed a set of key business development ambitions to ensure that the organisation remains fit for the challenges of the next 25 years, including:

REPORT OF TRUSTEES

- Developing the **digital environment** within the organisation, implementing new IT systems to manage such things as rostering, commissioned hours and real time care data, and also to drive cultural change in the organisation.
- Build on the **solid financial base** established during 2016/17. Having addressed the underlying risks of employment law changes regarding sleep-ins and holiday pay, the apprenticeship levy, pensions and the National Living Wage and achieving a year-end financial balance, it is a critical that we continue this good work with strong and disciplined financial control and good decision making.
- **Develop our organisation through our people**, ensuring that we maintain the optimum conditions for successful performance and organisational health. During 2017 we will review our organisational values with a view to creating an environment that nurtures and grows our people. We will begin a programme of leadership development to ensure that they are equipped to lead and deliver transformational change. During 2018 we will continue to develop our internal capacity and capability with a strong focus on performance improvement.

As Chair and Chief Executive, we look forward with confidence to the next five years and the development of the charity over that period.



Chris Hannah
Chair of the Board of Trustees



Neil Campbell
Chief Executive

ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

GOVERNANCE: STRUCTURE AND MANAGEMENT

Alternative Futures Limited was founded in January 1992 and underwent a change of name to Alternative Futures Group Limited in April 2007. Alternative Futures Group Limited is a company (No. 02679915) limited by guarantee and a registered charity (No. 1008587) governed by its Articles of Association as last amended in May 2014. Membership of the Board of Trustees is set out below.

A new company, Red Hazels Developments Ltd (No.09498298), was established and registered as a private company limited by shares with Companies House on 19 March 2015. Red Hazels Developments Ltd is a wholly owned subsidiary of Alternative Futures Group. These financial statements consolidate the results of the charity and its wholly owned subsidiary, Red Hazels Development Limited, on a line by line basis.

The Directors of the Charity are its Trustees for the purposes of charity law and throughout this report are collectively referred to as the Trustees.

Directors and Trustees

Chris Hannah (Chair)
Angela Phillips
Karen Brookes (*term completed, 20th June 2017*)
Andrew Lomas
Erica Boardman
Michael Parkinson
Mike Clarke
Daniel Chaffer
Jonathan Lloyd
Iain Bell

Secretary

Kirstine Fergusson (*resigned 3 February 2017*)

Executive team

Chief Executive	Neil Campbell
Director of Finance	Mark Rees
Managing Director: Business	Karen Wilson (<i>resigned April 2017</i>)
Director of Quality and Performance	Mike Smith
Director of HR	Kirsty Muldoon

Registered and Principal Office

Lion Court
Kings Business Park
Prescot
Knowsley
Merseyside
L34 1BN

Professional advisors

Bankers:

HSBC Bank plc
99-101 Lord
Street
Liverpool
L2 6PG

Barclays
Riverside 2,
Campbell Road,
Stoke on Trent,
Staffordshire.
ST4 4RJ.

ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

GOVERNANCE: STRUCTURE AND MANAGEMENT (CONTINUED)

Principal Solicitors:	DWF Scott Place 2 Hardman Street Manchester M3 3AA	Pannone Corporate LLP 378-380 Deansgate Manchester M3 4LY	Brabners LLP Horton House Exchange Flags Liverpool L2 3YL
Auditor:	RSM UK Audit LLP 20 Chapel Street Liverpool L3 9AG		
Investment Advisor:	Stanhope Consulting 35 Portman Square London W1H 6LR		

Trustee Selection, Appointment and Competence

As a Board of Trustees, we have adopted the principles of *Good Governance, A Code for the Voluntary and Community Sector* and we take into account and observe best practice within the *UK Corporate Governance Code*. Under the Articles of Association, Trustees serve a term of up to three years and may be considered for a maximum of three terms, where that meets the needs of the Board. The Chair may serve a maximum two terms of office. A skills analysis of Board Members has been undertaken, and at each refresh of the Board consideration is given to the competencies required and the future challenges the organisation faces. Trustee recruitment is led by the Trustee Appointments Committee and supported by external independent specialist recruitment agencies. New Trustees receive an induction and training programme tailored to their needs and regular events are held to build and maintain skills.

No new trustees have been recruited to Alternative Futures Group since the appointment of Iain Bell in March 2016, giving a total of 10 trustees on the Board. Karen Brookes completed her second term of office in June 2017.

Annual assessments of performance for the Board, the Committees and individual Trustees are led by the Chair, who also led a review of the structure and workload of the Committees in relation to the Board. This review was aimed at ensuring the committees were not overburdened and remained fit for purpose during this period of significant change, and that the Board maintained the clear oversight of assurance and decision-making in line with its responsibilities.

The Board sets the strategy, policy and priorities for Alternative Futures Group Limited. It meets formally at least five times a year and is supported by governance committees to which it has delegated specific powers.

- **Audit and Risk Committee**

- **Angela Phillips (Chair 2016/17)**

- Responsible for overseeing all matters of governance, audit, controls assurance and risk management on behalf of Alternative Futures Group Limited. In addition to monitoring the risk register, approving the external audit plan and reviewing the final audit findings report before recommending it to the Board, the committee also reviewed the findings of internal audit reports including those on health and safety compliance and payroll, together with the regular audits of controls in HR, Finance and Service User monies.

- **Performance Committee**

- **Karen Brookes (Chair 2016/17)**

- Responsible for gaining assurance on all aspects of performance, including service user outcomes and quality compliance; workforce issues; finance; and performance against the Strategic Business Plan: ensuring that Alternative Futures Group is able to manage and evidence effective, high quality delivery of its charitable aims. During the year the committee oversaw the implementation of the Transformation Programme to achieve financial balance following the employment law changes experienced in 2015 and, with the Chairs of the Board and the Audit & Risk Committee, was kept closely involved and informed of the work and reporting to the CQC Market Oversight Team. In addition to reviewing the financial plan and agreeing the key performance indicators, the committee is also responsible for scrutinising the capital plan and any significant capital projects, as well as providing oversight of treasury management and investment performance.

GOVERNANCE: STRUCTURE AND MANAGEMENT (CONTINUED)

Trustee Appointments/Remuneration Committee

Angela Phillips (Chair 2016/17)

Responsible for Board governance, succession planning and trustee recruitment based on skills audits and the needs of the Board, this committee is also responsible for identifying, approving and appointing the Chair and Members for each committee. Trustees are recruited externally with the support of independent recruitment specialists and are interviewed and screened by the Trustee Appointments Committee, which makes recommendations to the Board for appointment, based on the needs of the Board. The committee has a duty to ensure that the Board and the Board committees reflect on their own performance and to identify the training, support and development needs of the Board as a whole, and of Board committees. During the year the Committee oversaw the development of the governance arrangements for Red Hazels Developments Ltd, including the appointment of an independent director, Ben Clay, to the Board of Red Hazels in January 2017.

The committee is also responsible for developing and maintaining a formal and transparent procedure for the remuneration of senior management and of the position of Chair. In terms of the policy, ethos and level of remuneration for senior positions the committee is instructed by the Board to position Alternative Futures Group relative to similar organisations, but be sensitive to the pay and employment conditions of other levels of staff within the organisation. For this purpose the committee has the authority to appoint suitably qualified remuneration consultants and to commission reports, surveys or other information deemed necessary; a power the committee makes measured use of. No person is involved in making decisions which affect their own position or remuneration. The committee also agrees the framework for the remuneration of all other levels of staff.

In line with good governance practice, the Trustee Appointments/Remuneration Committee is chaired by the Vice Chair/Senior Independent Director.

These three committees report directly to the Board and meet at least quarterly. Day-to-day responsibility for the running of the organisation and provision of services rests with the Chief Executive.

EMPLOYEE INVOLVEMENT

The Charity encourages the involvement of employees and has an elected Employee Partnership Forum (EPF) which is jointly chaired by the CEO and a staff representative. Elections were held during the Spring of 2017 and the new representatives took up their positions on the EPF from 1 April 2017. This Forum not only represents our staff but is representative of our workforce, 85% of whom are support workers. The group has significant powers and is the formal staff negotiating body for Alternative Futures Group, as well as the formal consultative body. It includes representatives from Unison and the Royal College of Nursing unions recognised within Alternative Futures Group Limited. All staff representatives have responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy. In line with the strategic direction of being connected, engaged and locally based, each area is connected to a dedicated staff representative and local group. These local groups feed into the Forum which meets several times a year.

RELATED PARTIES AND CO-OPERATION WITH OTHER ORGANISATIONS

Other than the Chair, Trustees receive no remuneration from their work with the charity. Remuneration for the Chair was agreed with the Charity Commission in 2011. The remuneration of the Chair is considered annually by the Trustees Appointments and Remuneration Committee which is chaired by the Vice Chair/Senior Independent Director. Details of the remuneration are set out in note 7. There were no transactions with Trustees and no connections between Trustees/senior managers have been disclosed during the year. Therefore no related party transactions have been reported.

SERVICE USER INVOLVEMENT AND ENGAGEMENT

As the organisation responds to the challenges facing the sector and continues to develop service models, the engagement of the people we support is increasingly important, both across the charity and in the community. This engagement is led by our Regional Directors and their local managers, who seek advice from local groups on how to increase their involvement and as well as exploring new methods of seeking feedback in partnership with individuals who are supported by Alternative Futures Group in how we use and develop resources. In addition research is underway into how we may engage with people who may not have previously become involved and into identifying possible barriers to engagement.

The Service User Representative Forum (SURF) was established some years ago to ensure the views and opinions of the people we support have an impact. Originally set up as a central body this has now evolved into a broad range of local engagement forums, with an equally broad range of purpose and activities; they include the Tuesday Club in Merseyside, the Confidence Group in Burnley, the All Stars in Warrington and the Rock Festival in Tameside.

GOVERNANCE: STRUCTURE AND MANAGEMENT (CONTINUED)

These groups and their members are involved in a range of activities, key amongst which include driving local recruitment campaigns and close involvement in interviewing their own staff; reviewing internal policies and strategy; and active involvement in staff training both within Alternative Futures Group and in local colleges. Although supported by Alternative Futures Group these groups are organised and driven locally. They meet on a regular basis throughout the year and feedback is provided to and from these groups to local managers by appointed representatives. Attendance by trustees and others is by invitation.

Customer feedback in our treatment and recovery centres continues to be externally commissioned through the School of Health and Social Sciences at Manchester Metropolitan University. Increasingly satisfaction and engagement is being monitored through the performance dashboard and the quarterly performance reviews held by the Executive with each region and reported through the Performance Committee.

We have also extended the reach of our service user involvement in training through the development of training materials, including short films, for life pathways which are a key feature of our transformation of service provision.

DISABLED & DISADVANTAGED PERSONS

As an employer, Alternative Futures Group actively aims to recruit and offer opportunities to people who are disadvantaged in the labour market, including people who are long-term unemployed or who have physical or mental disabilities. Anyone meeting the criteria and skills base required for vacancies will be interviewed and every effort is made to ensure that their application is given full and fair consideration. Reasonable, and often innovative, adjustments are made to enable people with a disability to carry out the functions of the post, whether the disability is pre-existing or has arisen during their period of employment with the organisation. It should be noted however that, as 85% of our staff provide direct support to people with disabilities, many of them complex, this can be challenging. During employment the charity seeks to work with employees taking into account their personal circumstances to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

One result of quietly but actively working with staff to overcome issues they may have is that very few choose to formally declare a disability for recording purposes.

OBJECTIVES AND ACTIVITIES

Alternative Futures' Group charitable purpose is to offer relief to people who are in need by reason of any disability arising from any physical or mental state, age, accident or as a result of any disease or infection or with learning disabilities, mental health or any other special needs, and to relieve the stresses and financial needs experienced by their families and carers through, but not limited to, the provision of accommodation, support, education and training.

Article 4 of the Articles of Association

Alternative Futures Group is a Public Benefit Entity. In accordance with our objectives for this year, and with due regard to the published Charity Commission guidance on the operation of the public benefit requirement of the Charities Act 2011, the Trustees have undertaken appropriate activities in furtherance of those aims for the public benefit.

Alternative Futures Group Limited's Vision is:

A world where people control their lives

and our mission is:

Working creatively with people and their aspirations to make positive things happen

How we deliver these is underpinned by our *Values* through which we commit to acting always in a way which is principled, reflective, with integrity, dynamic and empowering.

Each year, as Trustees, we lead the review of performance against our charitable objects, aims and objectives, using the results from that to inform and formulate our future plans and ensure that the Charity continues to deliver high quality services in line with its stated purpose.

Activities

Alternative Futures Group provides a broad range of services across an integrated care pathway which extends from clinical support in our treatment and recovery centres through to outreach services, and which enables people to move up and down that pathway as their needs change. In this way we cover a wide expanse of need through a number of interventions at different points on that pathway and in different arenas, including supported living (supporting people in their own homes to access their community and maintain their tenancies), care and treatment centres and a range of other community models, such as crisis services and floating support.

Customer focus and personalisation sit at the core of all of our work. Providing personalised support and services appropriate to the aspirations and hopes for our customers' future growth and development as individuals means we are delivering personal support in terms of a life pathway – a pathway that continues to grow and change as the person is supported to grow and change.

Non Residential Care

As we move further down the route of delivering services through flexible care pathways, reflecting our reach and activity is more accurately illustrated through the hours of regulated activity delivered to individuals supported by Alternative Futures Group, rather than by counting those individuals alone.

Over the last three quarters in the year, as data recording shifted to this model the average number of individuals supported each week was 1,004 (2016: 1,060).

Non-residential care during 2016/17 was wholly funded through contracts with Local Authorities in the North West of England.

Residential Care

2016/17 saw a significant shift in focus for the Treatment and Recovery Centres, which principally provide short-term rehabilitation support to people with long term mental health issues. The 30 dementia service beds at Abbey Court in Warrington were closed during December 2016 and a new, state of the art, service at Tesito House in Manchester was opened in March with 24 beds for women. The temporary closure of Abbey Court was planned and agreed with the local commissioners, with whom we are working closely with to develop new services from the same facility. Tesito House opened on World Women's Day on 16 March 2017 and provides a unique model of support for women with a range of complex mental health needs.

Residential care provided during 2016/17 was wholly funded through contracts with the NHS across the North West of England.

Statement of Disclosure of Information to Auditors

The Trustees confirm that, insofar as they are aware, there is no relevant audit information of which the charitable company's and group's auditors are unaware; and, that they 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 provided Audit services to Alternative Futures Group since April 2007 and have audited these accounts for 2016/17. The appointment of auditors will be agreed by the Board in October 2017.

STRATEGIC REPORT

The Trustees, as company directors, have pleasure in presenting their Strategic Report for Alternative Futures Group.

Achievements, Performance and Public Benefit

STRATEGIC OBJECTIVES 2016-17

As reported in the last strategic report, the objectives for 2016/17 were developed in response to the financial challenges in the health and social care market and the political and commercial impact of changes in employment legislation.

Alternative Futures Group's five-year programme is centred on three key strategic aims:

- **Financial stability**
- **Sustainability**
- **Business development and growth**

Underpinning these aims, the Board agreed seven strategic objectives to be delivered over the next five years:

1. Improve and extend the scale of individual commissions
2. Developing services on the basis of outcome rather than hourly activity
3. Enabling people to move on
4. Focusing on people's strengths and talents within a life pathway
5. Working with commissioners to become a partner that shapes and delivers new solutions
6. Increasing competitive advantage by marketing and selling solutions to people and partners
7. Continue supporting individuals within their life pathway as part of an interconnected entity

The principal and critical focus in the first year of this strategic programme was to provide Alternative Futures Group with a safe and sustainable financial platform whilst maintaining our reputation as a quality provider with our regulators and commissioners. Whilst the charity, in common with other organisations, will continue to be challenged over the next year, the way we have achieved and exceeded these crucial objectives during 2016/17 has placed the Alternative Futures Group in a stronger position within the sector.

Financial stability

During 2016/17, the Board and the Executive planned the forward position for the charity by carefully examining the anticipated increases created by the imposition of the National Minimum Wage for sleep-ins, Average Holiday Pay, the Apprenticeship Levy, Employer Pensions contributions and the early impact of the National Living Wage. As a result, the charity is now reporting a modest surplus for the year 2016/17 of £0.6m – this is against the planned deficit of £4.1m for the previous year, a turnaround of £4.7m.

This has been achieved through a range of measures, including the refocusing of the central and operational structures through the Transformation Programme, now complete. The devolved structure put in place through this change programme concentrated business skills at a local level, allowing a greater focus to be placed on managing contracts and cashflow. Through the course of the year the organisation has developed, and continues to develop, a keener awareness of the importance of managing cashflow, something that will be supported by improved management information in a timely fashion which the new digital strategy will deliver. Devised and agreed during 2016/17, the first elements of this digital strategy will be implemented during 2017/18.

In addition, the move to a strong model of contract negotiations in partnership with our commissioners, and in the context of the new employment law requirements, has led to stronger relationships with commissioning bodies and has been the forerunner of the planning and budget settings processes for 2017/18 and beyond. One element of these negotiations was the planned closure of existing services which were no longer fit for purpose but where there are opportunities for developing new services to meet the changing needs of health and social care commissioners. Abbey Court is the principal example of this type of development and the planning of its metamorphosis is included in the work for 2017/18.

Sustainability

As a major care and support provider Alternative Futures Group comes under the scrutiny of the Care Quality Commission's Financial Market Oversight Team due to the inherent difficulties of replacing such a large provider and the impact on the market. Despite the challenges facing the organisation at the end of 2015/16 and the financial deficit at that point, through continuous discussion and an appreciation of the Group's strategy together with regular reporting, which has evidenced the increasingly positive financial position and the strong management of financial risk in the charity, Alternative Futures Group has a strong and positive relationship with Market Oversight Team.

As mentioned above, the finalisation of Transformation programme and the ongoing development of the life pathways models is placing the organisation in a solid position in the market.

Quality has remained a key priority and we are pleased to report on a strong performance against CQC standards with our inspections ratings profile showing that all 11 of our locations have been rated by CQC as *Good*, with no performance concerns or regulatory breaches. Inspectors confirmed that this performance is above the national average; an achievement the trustees are justifiably proud of.

We have also during the year continued to develop our partnerships across the sector – in both formal and informal models which enable us to better deliver our charitable purpose and strategic aims. These activities will develop further over the five year period.

Business Development and Growth

A key development to support the business and growth of Alternative Futures Group has been the targeted investment in the development of an extensive digital strategy during 2016/17. From the early weeks of 2017 the move to this digital environment has begun across the organisation. During 2017 we will implement new IT systems to support the management of rostering, payroll and commissioned hours, and a related system to enable flexible people management, and our control of recruitment and retention. During 2018 this will be extended to cover procurement and financial planning and to develop real time care data and risk control of care planning.

The opening of Tesito House, our new treatment and recovery centre in Manchester, provides a new model of trauma informed care to women with high levels of rehabilitation need, it marks another new direction for Alternative Futures Group, one that will be extensively market tested in the coming months. At the same time we continue to reduce the average length of stay for people in our treatment and recovery centres to under 12 months, in line with the second strategic objective, enabling people with mental health challenges to move out of residential services early by providing flexible and consistent support to them following their discharge. This represents an extension to the pathway of support provided in our mental health services.

In line with our five year aspirations and the stronger systems of financial management, internal targets have been set to extend the provision of individual commissions and the development of life pathways, based on outcomes rather than inputs. Further work describing the marketing of services and developing partnerships is outlined in our forward plans.

These key strategic aims continue to be supported by Red Hazels Developments Ltd, our trading subsidiary, which is providing support around the development of partnership relationships and exploring the extension of elements of our charitable offer into more commercial activity.

Achievements, Performance and Public Benefit contd.

Measuring impact

As Trustees we monitor the impact, and as a result the public benefit, of our activities through our Performance Framework. Detailed monthly performance reports to Trustees and managers provide a series of measures on the 'balanced scorecard' model monitoring: financial performance; staff performance, turnover and training; key risk indicators; and outcomes for the people we support.

Alternative Futures Group's Performance Management Framework also monitors delivery of the strategic business plan, the goals within each of the regional business plans being aligned with the relevant strategic objective. Our performance management framework can be demonstrated diagrammatically as follows:



FINANCIAL REVIEW AND RESULTS

Statement of Trustees Responsibilities for the Annual Accounts

The Trustees (who are the directors of Alternative Futures Group Limited for the purpose of company law) are responsible for preparing the Directors' and Strategic 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 group and charitable company and of the profit or loss of the group and charitable company for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements 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 Charity will continue in operation.

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

The trustees (who are also directors of Alternative Futures Group Limited 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and 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 charitable 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 charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group 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 charitable 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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable group and company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL REVIEW AND RESULTS (CONTINUED)**Financial Review and results**

The Board of Trustees have recognised and responded to the financial challenges faced during the year for the Charity in sustaining income levels and reacting to cost pressures relating to the national living wage, legislative changes around sleep in and holiday pay, during a continued period of public sector austerity. The results for the year reflect this with a reported overall surplus of £0.637m an increase on the FRS102 deficit of £4.1m for the previous year, including net gains in investments of £1.322m. These results are reported after the amortisation of contracts, amounting to £0.262m and one off transitional costs of £0.433m. Incoming resources for charitable activities decreased by 1.3% to £58.9m (2016 £59.7m), however, operating costs decreased by 6.0% to £59.9m (2016 £63.7m). This shows that outside of amortisation and one off costs the charity achieved breakeven at an operating level. The charity derives its income from funding from the NHS and Local Authority Social Services funding.

The Charity is obliged under FRS102 to provide for any reported pension deficit at the balance sheet date of those defined benefits schemes of which it is a member. The Lancashire County Pension Fund Defined Benefit and the Greater Manchester Pension Fund Defined Benefit scheme reported a pension asset of £0.617m at 31 March 2017, since the charity is unable to recover any surplus through either reduced contributions in the future or through refunds from the scheme this has not been recognised. The actuarial gain from the two schemes of £0.263m and the movement in the derecognised asset of £0.219m are both shown through other gains and losses on the face of the consolidated statement of financial position.

Trustees have fulfilled their duty of care to ensure best value for money by investing the surplus cash across a diversified portfolio of investments. At 31 March 2017 these investments amounted to £10.154m with an unrealised gain on investment of £0.973 and realised gains of £0.499m for the year. The funds held in investments are being used to further the aims of the charity. The return on investment was £0.225m (excluding cash) for the year and was used non-recurrently to pump prime new initiatives within local communities in the delivery of 'the promise' to the people we support.

The Trustees are satisfied that the charity's assets attributable to each of its individual funds are available and adequate to fulfil its obligations in relation to those funds, and are pleased to report that the charity's internal financial controls conform with guidelines issued by the Charity Commission, as evidenced by the positive annual opinion from our internal auditors, Mazars LLP.

Performance against the financial KPIs for 2016/17 was monitored throughout the year by the Performance Committee. Overall performance was sound with creditor days at 42 (against a target of >30), debtor days 25 (target <30), liquid reserves £7.8m (target £5.2m), investment return 2.9% (target 3%) and gearing 14.0% (target <35%).

Going Concern Status

As a result of the programme undertaken by the Executive to restructure the workforce, together with the partnership work with commissioners and the forecast budget for 2017/18 and targets for 2018/19 the Trustees consider it appropriate to adopt Going Concern basis.

Investments Policy and Performance

Under the Memorandum and Articles of Association, the charity has the power to make any investments, which the Trustees deem appropriate. Trustees apply their judgement and expertise in making decisions on investments with the support of a qualified investment adviser. The Performance Committee annually reviews the investment policy for the charity, setting a total return target, a risk tolerance, permitted asset classes and benchmark levels for each asset class. The Performance Committee have restricted investment into property and hedge funds each to 6% of the portfolio and do not allow investment into private equity or commodities due to risk. The remainder of the portfolio is split between equities (55%) and bonds (35%).

Investment performance is reviewed annually against a total return target of 3% per annum. The Trustees were satisfied with the total return of 2.9% achieved for the financial year. All investments have been made within the agreed policy.

Reserves Policy and Performance

It is the policy of the Charity to hold free reserves in its unrestricted funds in order to establish an appropriate level of working capital and to protect the future operations of the charity from the effects of any unforeseen variations in its income streams as part of a policy of good financial management practice. This is reviewed annually to take account of the current risks faced by the Charity.

The actual level of reserves is monitored against this policy and reviewed by the Trustees throughout the year. Funds held in reserves not needed for immediate use are invested in line with the agreed investment policy.

FINANCIAL REVIEW AND RESULTS (CONTINUED)

At 31 March 2017, Alternative Futures Group Limited reported the level of unrestricted, undesignated reserves at £7.8m (2016: £8.8m), these figures are after excluding reserves equivalent to the net book value of fixed assets. The Reserves Policy sets a target of free reserves equivalent to £5.2m of which £1.2m is required in the short term. Trustees consider the level of free reserves held to be satisfactory. In the longer term the remaining unrestricted undesignated fund provides options for development and a clear plan for growth has been developed as part of the 5-year strategic business plan.

Assets held as Custodian Trustees

The Charity has corporate appointeeship responsibility for administering the personal funds of a number of service users. This includes state benefits, savings and day to day cash balances. Appointeeship enables Alternative Futures Group to provide underpinning support to people who lack capacity; helping them with their financial planning and budgeting, supporting them to plan their own outgoings or shared costs, helping them to pay bills, rent and living expenses and helping them to claim the benefits to which they are entitled. In addition to providing this service to those who lack capacity, and have no-one else willing or able to provide this support, a small number of mental health clients have a similar, but voluntary, agreement with us to help them manage their monies.

At 31 March 2017 the charity held funds of £26,198 (2016 : £27,394) of service users' personal monies, which are included in our balance sheet and is included in note 15.

Financial Risk Management

The Audit and Risk Committee is responsible for reviewing financial risk, fraud and whistle blowing. The main financial risks currently facing the charity are the above inflation increases in minimum wage and the pressure to become a living wage provider and the retention of income at sustainable levels.

Although Alternative Futures Group prides itself on having been able to pay above the minimum wage. However this has not been possible for the majority of support workers at a time when it is increasing at a rate faster than inflation and at a time when commissioners face continued significant budgetary pressures and are looking for efficiencies. The Charity aims to investigate ways to make its resources go further to be able to bridge this gap and continue to remunerate staff above the minimum wage in the future. Alternative Futures Group also aims to support more and more people and in doing so will be able to benefit from the economies of scale that come with being a larger provider and maintain remuneration at above minimum wage standards.

Public sector funding is under significant pressure and Alternative Futures Group is working actively with its current commissioners to retain income at sustainable levels. The Charity also aims to support a wider group of vulnerable people and move into new commissioning areas in an attempt to mitigate the risk of loss of income where levels do become unsustainable. This is closely measured monitored by the Performance Committee on a regular basis.

Given that all of the Charity's income comes from public sector bodies, Alternative Futures Group faces very low credit risk. There could be instances of delayed payment which could affect the Charity's liquidity but Alternative Futures Group has strong cash flow management and debt recovery procedures that mitigate this risk. The level of reserves held by Alternative Futures Group can also provide liquidity if required. Cash flow and liquidity is also closely monitored by the Performance Committee on a regular basis.

ENVIRONMENT

Environmental Impact

In Alternative Futures Group we take an ethical, values based and sustainability approach to how we conduct our business. As a charity providing support to people with disabilities, we are committed to being socially responsible.

Our key Corporate Social Responsibility objectives are to:



Our Charitable Objects, our Vision, and our Values evidence our position as a values-led organisation and a responsible corporate citizen. This is underpinned by our approach to service delivery and development and performance improvement. In addition we have developed and are continuing to develop our engagement with all our stakeholders, particularly our local communities.

Social Impact

We are conscious of our responsibilities as an ethical organisation and a responsible neighbour in the communities in which we work; it is our aim to work with our partners and stakeholders locally to increase capacity and social impact and to support communities to sustain them.

Following the transformation programme and the development of the life-pathway approach to services we are now working to develop social value/quality accounting, auditing the impact of our interventions and social contribution, and have appointed specific posts in quality and innovation to support this development.

To ensure our customers are supported by people who are familiar with the area, and representative of it, we focus on recruiting locally. In response to the changing models of support, we train those staff to support people to progress along the life pathway they are aspiring to, taking up their rights and their responsibilities, including sustaining the environment, as an equal citizen. This has a significant impact on our staff as they begin to develop their own career pathways in line with the life pathways that they are supporting others on.

To encourage a greater understanding and involvement in working with our client groups, we provide a range of opportunities for local young people to spend time in the organisation either on study placements or on short term work placements. These range from service placements, to corporate services, administration and records management. They have proved very successful with a range of local institutions requesting placements each year.

Our approach a socially responsible organisation is set out in our CSR policy and includes guidance on reducing our adverse impact on the environment and increasing our positive impact in the sector. As a principal charity in the north west and in our sector, Alternative Futures Group continues to develop new relationships and partnerships locally, nationally, and internationally, continuing our relationships with the International Mental Health Collaboration Network and Mobe Gambia, and working closely with other local providers in our sector.

PRINCIPAL RISKS AND UNCERTAINTIES: THE MONITORING AND MANAGEMENT OF RISK

The Board of Trustees has ultimate responsibility for managing the risks faced by the Charity. Delegated responsibility has been given to the Audit and Risk Committee (ARC) for reviewing and maintaining an effective framework of risk management and internal control across the organisation, and for leading the debate on risk appetite and risk tolerance in the Board. Monitoring performance and quality, including regulatory standards, is delegated to the Performance Committee which feeds areas of emerging risk to both the ARC and the Board. The Audit and Risk Committee has a minimum of two and a maximum of four Trustees, with the Chair and Chief Executive of Alternative Futures Group Limited as ex officio members. Other officers are in regular attendance.

The Committee is responsible for appointing internal auditors and ensuring there is an effective internal audit function, provided in 2016/17 through Mazars LLP, to provide appropriate assurance to the Committee and the Board. In line with best practice, Alternative Futures Group tested the market for internal audit services during the year, undertaking a full tendering process. As a result, internal audit services will for the next three years be provided by RSM Risk Assurance Services LLP.

In addition the Audit Committee is responsible for recommending the appointment of external auditors; for approving the terms of engagement and audit fee; for reviewing the findings of the annual audit and monitoring compliance with Audit recommendations. The Committee is also responsible for reviewing financial risk, fraud and whistle blowing, and for financial reporting including the annual financial statements.

The Audit and Risk Committee reports to each meeting of the Board and is supported by the Executive Team. Other key areas of work reported to the Committee include health and safety; safeguarding; clinical governance; and emergency planning.

Three principal risks have been identified as key challenges to Alternative Futures Group during 2017/18. The first is the risk of not retaining existing high value contracts as a result of the ongoing pressures on public sector funding and the impact of employment law changes. This risk was identified during 2016/17 and drove a series of focused discussions with commissioners which recognised the challenges for commissioners but put these into the context of the charity. This developed a firm platform for contract negotiations and created mutual understanding and respect between commissioners and the charity. Whilst the loss of major contracts in a volatile political and economic climate remains a threat, this is a risk that our Regional Directors are managing firmly.

The second key risk relates to the Transformation Programme, which has been instrumental in creating the positive position that Alternative Futures Group now holds. Such a major programme of change cannot be undertaken without raising a number of risks around culture shift, and the individual impact on staff and front line managers of new structures, new ways of working and new models of support. Major changes to practice will be further driven and sustained by the new IT systems, such as the new rostering and staff management programmes, we are implementing during 2017 and 2018. Alternative Futures Group is clear on the need to support an environment that trains, nurtures and grows our staff as well as our customers, to ensure we remain fit for purpose and relevant to our beneficiaries and to meet the challenge of change by improving, not just maintaining, our organisational capability. Better never stops. Plans are in place and being developed through our workforce strategy to respond to this risk as it unfolds throughout the implementation of these programmes.

The changing and uncertain political environment is an increasing threat to both Alternative Futures Group and the sector as it impacts on both local and national decision making and strategic direction at all levels and in all areas. The specific risks this poses to the charity are not yet clear, but we know for example that the impact of Brexit will affect recruitment levels both for nurses and support workers, as other organisations such as the NHS who have made greater use of EU nationals in their staff teams move to recruit from a smaller UK pool, increasing both competition and market price. The Board and the Executive will throughout the year monitor the organisational risk emerging as a result of the unstable political environment, ensuring that appropriate, timely and proportionate measures are put in place to manage that.

As Directors and Trustees of the Company, we confirm that we have given consideration to the major risks to which Alternative Futures Group Limited is exposed and we are satisfied that appropriate and robust systems and procedures are and have been in place to review, evaluate, mitigate and manage these risks.

FUTURE PLANS 2017-18

Alternative Futures Group's purpose and ambition continues to focus on our vision of "a world where people control their lives" delivered through our mission- "working creatively with people and their aspirations to make positive things happen".

2017/18 will see the continued delivery of our five year strategic programme with its three key themes:

- **Financial stability**
- **Sustainability**
- **Business development and growth**

through its seven, five-year objectives

1. Improve and extend the scale of individual commissions
2. Developing services on the basis of outcome rather than hourly activity
3. Enabling people to move on
4. Focusing on people's strengths and talents within a life pathway
5. Working with commissioners to become a partner that shapes and delivers new solutions
6. Increasing competitive advantage by marketing and selling solutions to people and partners
7. Continue supporting individuals within their life pathway as part of an interconnected entity

Under this programme, in 2017/18 we will:

Financial Stability

- build on the solid financial platform established during 2016/17 and continue this good work with strong and disciplined financial control and good decision making.
- increase the number of high value individual commissions to transform the lives of people who are living with some of the most complex needs by working creatively with them and focusing on their strengths and talents within a life pathway.
- develop the frameworks to market AFG's service offer as a specialist provider of Autism services.

Sustainability

- transform and modernise the support that we provide in people's homes by working in partnership with local commissioners.
- continue to explore opportunities for acquisitions, mergers and partnerships, including pursuing:
 - Loose partnerships working together, from time to time, on mutually beneficial projects
 - Strategic partnerships/alliances in mutually advantageous geographical areas - utilising shared facilities, experience and personnel
 - Joint ventures on specific projects or permanent relationships through a merger of equals

Business Development and Growth

- Follow through on our key business development ambitions to ensure that the organisation remains fit for the challenges of the next 25 years, including:
 - Developing the **digital environment** within the organisation. During 2017 we will implement new IT systems to support the management of rostering, payroll and commissioned hours, and a related system to enable flexible people management, recruitment and retention. During 2018 this will be extended to cover procurement and financial planning and to develop real time care data and risk control of care planning
 - **Develop our organisation through our people**, ensuring that we maintain the optimum conditions for successful performance and organisational health. During 2017 we will review our organisational values with a view to creating an environment that nurtures and grows our people. We will begin a programme of leadership development to ensure that they are equipped to lead and deliver transformational change.
- Validate the offer brought by Tesito House, which positions AFG in a new market for women reliant on significant support within the rehabilitation pathway; testing the market for further developments.
- Explore and market test the opportunities presented by the existing estate to develop residential based solutions for challenges facing the health and care system.

The Report of the Trustees and the Directors' Strategic Report are approved on behalf of the Trustees by:



Chris Hannah - Chair

4/10/ 2017

ALTERNATIVE FUTURES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTERNATIVE FUTURES GROUP LIMITED

Opinion on financial statements

We have audited the financial statements of Alternative Futures Group Limited, (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31st March 2017, which comprise Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Trustees' Report and the incorporated Strategic Report 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 group and the parent charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Report and the incorporated Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- adequate and sufficient accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on page 12, 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.

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

ALTERNATIVE FUTURES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTERNATIVE FUTURES GROUP LIMITED

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Anna Spencer - Gray (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
20 Chapel Street
Liverpool
L3 3AG

Date:6 October 2017

ALTERNATIVE FUTURES GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT)

For the year ended 31 March 2017

Company no. 02679915

	Note	Unrestricted funds	Restricted funds	Total 2017	Unrestricted funds	Restricted funds	Total 2016
		£000	£000	£000	£000	£000	£000
Income							
Charitable activities	1	58,932	0	58,932	59,697	0	59,697
Investments	2	225	0	225	323	0	323
Total income		59,157	0	59,157	60,020	0	60,020
Expenditure on:							
Charitable activities	3	59,356	43	59,399	62,115	489	62,604
Exceptional Items	4	433	0	433	1,011	0	1,011
Raising funds		54	0	54	64	0	64
Total expenditure		59,843	43	59,886	63,190	489	63,679
Net gain / (loss) on investments	12	1,322	0	1,322	(477)	0	(477)
Net income / (expense)		636	(43)	593	(3,647)	(489)	(4,136)
Other recognised gains / (losses)							
Actuarial gain on defined benefit pension scheme	22	263	0	263	407	0	407
Movement in pension scheme asset derecognised	22	(219)	0	(219)	(336)	0	(336)
Total other recognised gains and losses		44	0	44	71	0	71
Net movement in funds		680	(43)	637	(3,576)	(489)	(4,065)
Reconciliation of funds							
Total funds brought forward		30,548	2,145	32,693	34,124	2,634	36,758
Total funds carried forward		31,228	2,102	33,330	30,548	2,145	32,693
Income and expenditure account							
Total income				59,157			60,020
Total expenditure				59,886			63,679
Net expenditure				(729)			(3,659)

There were no new or discontinued operations undertaken during the year.

There are no recognised gains or losses, other than those included in the Statement of Financial Activities.

ALTERNATIVE FUTURES GROUP LIMITED**CONSOLIDATED BALANCE SHEET**

For the year ended 31 March 2017

Company no. 02679915

	Note	2017	2016
		£000	£000
Fixed assets			
Intangible assets	9	0	262
Tangible assets	10	25,517	23,564
Investments	12	10,354	10,186
		<u>35,871</u>	<u>34,012</u>
Current assets			
Stocks	13	22	22
Debtors	14	5,725	7,108
Cash in hand and at bank		1,440	1,287
		<u>7,187</u>	<u>8,417</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(5,053)	(7,621)
Net current assets		<u>2,134</u>	<u>796</u>
Total assets less current liabilities		<u>38,005</u>	<u>34,808</u>
Creditors: amounts falling due after more than one year	16	(4,675)	(2,115)
Total net assets		<u><u>33,330</u></u>	<u><u>32,693</u></u>
Funds:			
Unrestricted funds	18	31,228	30,548
Restricted funds		2,102	2,145
		<u><u>33,330</u></u>	<u><u>32,693</u></u>

The financial statements were approved and authorised for issue by the Board of Trustees on 4/10/ 2017, and signed on their behalf by:



Chris Hannah – Chair

ALTERNATIVE FUTURES GROUP LIMITED**COMPANY BALANCE SHEET**

For the year ended 31 March 2017

	Note	2017	2016
		£000	£000
Fixed assets			
Intangible assets	9	0	262
Tangible assets	10	25,618	20,702
Investments in subsidiary	11	0	0
Investments	12	10,354	10,186
		<u>35,972</u>	<u>31,150</u>
Current assets			
Stocks	13	22	22
Debtors	14	5,802	9,480
Cash in hand		1,434	1,287
		<u>7,258</u>	<u>10,789</u>
Creditors: amounts falling due within one year	15	(4,962)	(7,072)
Net current assets		<u>2,296</u>	<u>3,717</u>
Total assets less current liabilities		<u>38,268</u>	<u>34,867</u>
Creditors: amounts falling due after more than one year	16	(4,675)	(2,115)
Total net assets		<u><u>33,593</u></u>	<u><u>32,752</u></u>
Funds:			
Unrestricted funds	18	31,491	30,607
Restricted funds		2,102	2,145
		<u><u>33,593</u></u>	<u><u>32,752</u></u>

The entity has taken the exemption from presenting its unconsolidated profit and loss account under section 408 of the Companies Act 2006. This unconsolidated profit / (loss) in relation to the company for the year was £842,000 (2016 : loss £4,007,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 4/10/ 2017, and signed on their behalf by:


 Chris Hannah – Chair

ALTERNATIVE FUTURES GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2017

	Notes	2017	2016
		£000	£000
Cash flows from operating activities	20	(665)	(2,532)
Net cash from operating activities		(665)	(2,532)
Investing activities			
Purchase of fixed assets		(3,094)	(4,069)
Purchase of investments		(650)	(768)
Proceeds from sale of investments		1,804	4,148
Proceeds from sale of tangible assets		0	774
Net cash generated (used in) / from investing activities		(1,940)	85
Financing activities			
Proceeds of new bank loans		2,758	2,200
Net cash generated from financing activities		2,758	2,200
Net decrease in cash and cash equivalents		153	(247)
Cash and cash equivalents at beginning of year		1,287	1,534
Cash and cash equivalent at end of year		1,440	1,287
Relating to			
Cash at bank and in hand		1,440	1,287

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2017

GENERAL INFORMATION

Alternative Futures Limited was founded in January 1992 and underwent a change of name to Alternative Futures Group Limited in April 2007. Alternative Futures Group Limited is a company (No. 02679915) limited by guarantee incorporated and registered in England and a registered charity (No. 1008587) governed by its Articles of Association as last amended in May 2014.

The group consists of Alternative Futures Group Limited and all of its subsidiaries.

The address of the companies registered office and principal place of business is: Head Office, Lion Court, Kings Drive, Kings Business Park, Prescot, Merseyside, L34 1BN.

The company and the groups principal activities are stated in The Report of the Trustees on page 7.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

Monetary amounts in the financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

REDUCED DISCLOSURE EXEMPTION

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements in respect of its individual financial statements. These disclosures are given on a consolidated basis;

- Section 7 'Statement of Cash Flows' – presentation of a statement of cashflow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & 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.
- Section 33 'Related party disclosures.'

GOING CONCERN

Alternative Futures Group Limited has contracts in place with commissioners to secure the necessary income and cash flows for the foreseeable future. The financial progress demonstrated throughout 2016/17 and rationalisation activities has put Alternative Futures Group Limited on a better platform to proceed going forward together with continuous forward planning to mitigate the foreseen changes in market conditions and exposure to risk. As a result the going concern basis of accounting has been adopted.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of FRS102 Alternative Futures Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies, so as to obtain economic benefits) other than those disclosed in Note 24. All financial statements are made up to 31st March 2017.

All intra-group transactions, balances and unrealised gains or losses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The investment in the subsidiary undertaking is stated at cost.

INCOME

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Benefits and other income from charitable activities

Benefits and other charitable income is the total amount receivable by the company, after determination by outside agencies and consideration of an individual's entitlement.

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2017

ACCOUNTING POLICIES (CONTINUED)

Investment income

Investment income is recognised on a receivable basis.

EXPENDITURE

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the Trust to that expenditure. Expenditure is recognised when, and to the extent that, a liability is incurred or increases without a commensurate increase in recognised assets or decrease in liabilities. All expenditure is accounted for on an accruals basis and is classified under appropriate headings that aggregate all costs relating to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Charitable expenditure

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated to such activities and those costs of an indirect nature necessary to support them.

Support costs

Support costs include central functions and have been allocated on activity cost categories in proportion to the income of each category.

Other expenditure

Other expenditure represents those items not falling into any other heading.

INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible fixed assets relate to contracts acquired in 2013 and are stated at cost, net of amortisation and impairment. The amortisation rate is 3 years, over the life of the contract.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment.

Tangible fixed assets comprise freehold land and buildings, office furniture and equipment, vehicles and property furniture and furnishings. Property furniture and fittings for new schemes are capitalised as tangible fixed assets for the charity's own use, whilst replacement items are capitalised if their value as a single item or as a group of items purchased together, is £300 or more.

Depreciation is provided so as to write off the cost of the assets, other than freehold land, on a straight line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are:

Freehold properties	2-10% on cost
Furniture & Equipment	5-33% on cost
Motor vehicles	25% on cost
Assets under construction	Not depreciated until brought in to use

INVESTMENTS

Investments are stated at fair value at the balance sheet date (except subsidiary). The SoFA includes the net gains and losses arising on revaluation and disposals throughout the year.

STOCK

Stock relates to catering supplies held at the year-end in the Independent Hospitals. Stocks are stated at the lower of cost and net realisable value and the cost formula applied is first-in first out.

FINANCIAL INSTRUMENTS

The charity only has financial assets and financial 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.

DEBTORS

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

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2017

ACCOUNTING POLICIES (CONTINUED)

CASH AT BANK AND IN HAND

Cash at bank and cash in hand includes cash 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.

CREDITORS

Creditors 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.

RETIREMENT BENEFITS

Pension Schemes

Contributions are made by the Charity to the four pension schemes that are in operation, as follows:

- The NHS Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury.
- The scheme is not designed to be run in a way that would enable employers of eligible employees' to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the amount charged against profits represents the contributions payable to the scheme.
- A stakeholder pension scheme, for certain senior members of staff, at a contribution rate of up to 14% of annual basic pay. The amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.
- Two defined benefit pension schemes in respect of admissions of staff as a result of TUPE transfers are funded by the participating employees and employers in the scheme. Current service costs, past service costs and gains and losses on settlements and curtailments are charged to the income and expenditure account. Past service costs are recognised over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income and expenditure account during the period in which the settlement or curtailment occurs.

The interest cost and the expected return on assets are shown as a net amount in the income and expenditure account as other finance costs or income. Actuarial gains and losses are recognised immediately as other recognised gains and losses in the statement of financial activities.

Pension scheme assets are valued at fair value at the balance sheet date. Fair value is based on market price information and in the case of quoted securities is the published bid price. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted to their present value using a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Pension scheme surpluses (to the extent that they can be recovered) or deficits are recognised in full on the balance sheet.

The assets of these schemes are administered by Trustees in funds independent from those of the Charity.

LEASING COMMITMENTS

Rentals paid under operating leases are charged to the statement of financial activities over the life of the lease.

ALTERNATIVE FUTURES GROUP LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2017

ACCOUNTING POLICIES (CONTINUED)

REALISED GAINS AND LOSSES

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

FUND ACCOUNTING

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

Restricted funds

Restricted funds are subject to specific restrictive conditions imposed by the donor or grant making body. All restricted funds are accounted for as restricted income and expenditure for the purposes charged to the fund, together with a fair allocation of overheads and support costs.

Critical accounting estimates and areas of judgement

In the application of the group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The assumptions and area of judgement applied by Alternative Futures Group Limited are as follows;

Consideration by management of the recoverability of debtors outstanding at the balance sheet date, on a local authority contract by contract basis, has resulted in a doubtful debt provision of £534,000 (2016:Nil), this has resulted from items being provided for where based on their age and historic practice it is unlikely to be received and items where there are disputes between the services provided and that contracted for again unlikely to be recovered based on historic practice.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1 CHARITABLE ACTIVITIES INCOME

	Unrestricted funds £000	Restricted funds £000	2017 £000
Supported living services	48,665	0	48,665
Independent Hospitals	9,537	0	9,537
Adult Care Homes	730	0	730
Adult Care Homes with Nursing	0	0	0
	<u>58,932</u>	<u>0</u>	<u>58,932</u>
	Unrestricted funds £000	Restricted funds £000	2016 £000
Supported living services	48,391	0	48,391
Independent Hospitals	10,529	23	10,552
Adult Care Homes	232	454	686
Adult Care Homes with Nursing	56	12	68
	<u>59,208</u>	<u>489</u>	<u>59,697</u>

2 INVESTMENT INCOME

	Unrestricted funds £000	Restricted funds £000	2017 £000	2016 £000
Dividends – UK equity	78	0	78	119
Dividends – Overseas equities	52	0	52	79
Dividends – other	22	0	22	31
Interest – UK fixed interest securities	71	0	71	89
Interest on cash deposits	2	0	2	5
	<u>225</u>	<u>0</u>	<u>225</u>	<u>323</u>

All prior year income was unrestricted.

3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct staff costs £000	Direct other costs £000	Support costs £000	2017 £000	2016 £000
Provision of support and care					
Supported living	41,855	861	6,135	48,851	50,542
Independent Hospitals	4,860	3,693	1,239	9,792	10,731
Adult Care Homes	495	136	91	722	1,174
Adult Care Homes with Nursing	0	32	2	34	157
	<u>47,210</u>	<u>4,722</u>	<u>7,467</u>	<u>59,399</u>	<u>62,604</u>

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

	Unrestricted	Restricted	2017	Unrestricted	Restricted	2016
	£000	£000	£000	£000	£000	£000
Provision of support and care						
Supported living	48,848	2	48,850	50,054	489	50,542
Independent Hospitals	9,770	23	9,793	10,729	0	10,731
Adult Care Homes	715	7	722	1,174	0	1,174
Adult Care Homes with Nursing	23	11	34	157	0	157
Total charitable activities	59,356	43	59,399	62,115	489	62,604

Expenditure for prior year has been restated to remove the exceptional item, as itemised in note 4, in order to show comparable figures with 2017 expenditure.

4 EXCEPTIONAL ITEM

One-Time costs incurred due to and arising from the restructuring of the organisation at 1st April 2016 :

	2017 £000	2016 £000
Staff Costs, including redundancy, taxes and pensions	96	535
Recruitment Fees	188	12
Professional and Consultancy Fees	140	456
Advertising and training costs	9	8
	433	1,011

5 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

	2017 £000	2016 £000
Finance	379	571
Human resources and training	1,164	2,131
Service development	542	1,187
Information, communication and technology	839	902
Executive	3,569	2,613
Premises	974	945
	7,467	8,349

Premises Costs for prior year has been restated to remove the exceptional item, as itemised in note 4, in order to show comparable figures with 2017 expenditure.

The costs include internal audit fees of £36,120 (2016: £68,726) and external audit fees of £38,000 (2016: £37,000), Trustee development £nil (2016: £ nil), and Trustee indemnity insurance £8,263 (2016: £8,263).

Staff costs included within support costs amount to £4,558,000 (2016: £6,446,000).

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

6 NET EXPENDITURE FOR THE YEAR

This is stated after charging:

	2017	2016
	£000	£000
Operating leases	96	200
Depreciation and amortisation:		
Tangible fixed assets, owned	1,141	1,092
Loss on disposal	0	387
Goodwill amortisation	262	394
Bank interest payable on bank loan	100	81
Auditor's remuneration:		
- audit fees	38	37
- consultancy fees	19	69
Accountancy services	1	6
	<u> </u>	<u> </u>

7 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE KEY MANAGEMENT PERSONNEL

Staff costs during the year were as follows:

	2017	2016
	£000	£000
Group		
Wages and salaries	47,650	50,288
Social security costs	3,202	3,133
Employer pension costs	880	946
Other employee benefits	0	9
Redundancy payments	132	378
	<u>51,864</u>	<u>54,754</u>

	2017	2016
	£000	£000
Company		
Wages and salaries	47,611	50,288
Social security costs	3,198	3,133
Other pension costs	880	946
Other employee benefits	0	9
Redundancy payments	132	378
	<u>51,821</u>	<u>54,754</u>

In response to the cost pressures placed upon the organization and the move to a more local regional approach, a restructuring plan has been put in place, under which a number of roles were made redundant giving rise to a £132,000 (2016 £378,000) cost in the year.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

Employees' emoluments for the staff earning more than £60,000 for the year fell into the following bands:

	2017	2016
	No of employees	
£60,001 to £70,000	1	1
£70,001 to £80,000	1	0
£80,001 to £90,000	3	0
£90,001 to £100,000	1	3
£160,001 to £170,000	1	1
	<u>7</u>	<u>5</u>

The key management personnel of the charity comprise the executive management team. Total cost to the charity for employee benefits of the key management personnel of the Trust was £698,121 (2016 £712,337).

During the year the following amounts were paid to pension schemes:

	2017	2016
	£000	
Pension contributions to money purchase scheme	509	1,028
Pension contributions to defined benefit scheme	371	582
	<u>880</u>	<u>1,610</u>

Pension contributions are allocated to unrestricted funds. Costs are allocated to activity cost categories in proportion to the income generated by each activity.

The numbers of staff to whom retirement benefits are accruing are as follows:

	2017	2016
Money Purchase Scheme	1,715	1,765
Defined Benefit Scheme	151	202
	<u>1,866</u>	<u>1,967</u>

During the year five higher paid employees (2016: one) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £39,253 (2016: £44,638).

No higher paid employees (2016: four) are accruing retirement benefits under the NHS Superannuation Scheme, a final salary scheme administered by the charity under the terms of a NHS Direction Order. Contributions paid in the year were Nil (2016: £40,898).

Two of the higher paid employees (2016: one) did not contribute to a pension scheme.

The Chairman received remuneration in the year of £15,000 (2016: £15,000), as allowed per Memorandum and Articles of Association and agreement from the Charity Commission in June 2011. There were no pension contributions during the year (2016: Nil).

No other Trustees, or persons with a family or business connection with a Trustee received remuneration in the year, directly or indirectly, from either the charity or an institution or company controlled by the charity. The trustees received no pension contributions. Travelling expenses of £2,017 (2016: £368) were reimbursed to five Trustee in the year.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

8 STAFF NUMBERS

Group

The average number of employees during the year was as follows:

	2017	2016
	No of employees	
Care and support staff	2,522	2,737
Management and administration of the charity	10	11
	<u>2,532</u>	<u>2,748</u>

The average number of employees on a full time equivalent basis during the year was as follows:

	2017	2016
	No of employees	
Care and support staff	1,959	2,218
Management and administration of the charity	10	11
	<u>1,969</u>	<u>2,229</u>

The care and support staffing numbers relate to Alternative Futures Group Limited and include one (2016: nil) member of staff employed by Red Hazel Developments Limited.

9 INTANGIBLE ASSETS

	Goodwill £000
Costs as at 31 March 2016 and 31 March 2017	1,300
Amortisation:	
At 1 April 2016	1,038
Provided in the year	262
At 31 March 2016	<u>1,300</u>
Net book amount at 31 March 2017	0
Net book amount at 31 March 2016	<u><u>262</u></u>

The amortisation charge for the year is recognised within charitable activities expenditure.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

10 TANGIBLE FIXED ASSETS
Group

	Assets under construction £000	Freehold land and buildings £000	Furniture and equipment £000	Motor vehicles £000	Total £000
Cost					
As at 1 April 2016	2,862	22,158	4,759	7	29,786
Additions	2,260	44	790	0	3,094
Transfers	(5,122)	5,081	41	0	0
Disposals	0	0	0	(7)	(7)
As at 31 March 2017	0	27,283	5,590	0	32,873
Depreciation					
As at 1 April 2016	0	3,499	2,716	7	6,222
Provided in the year	0	583	558	0	1,141
Disposal	0	0	0	(7)	(7)
As at 31 March 2017	0	4,082	3,274	0	7,356
Net book amount at 31 March 2017	0	23,201	2,316	0	25,517
Net book amount at 31 March 2016	2,862	18,659	2,043	0	23,564

The cost of land held within freehold land and buildings amounts to £5,749,000 (2016: £5,749,000) and is not depreciated.

The bank loan from Barclays referred to in Note 16 is secured by way of legal charges over five properties included within the total fixed asset cost.

Company

	Assets under construction £000	Freehold land and buildings £000	Furniture and equipment £000	Motor vehicles £000	Total £000
Cost					
As at 1 April 2016	0	22,158	4,759	7	26,924
Additions	0	5,227	830	0	6,057
Disposals	0	0	0	(7)	(7)
As at 31 March 2017	0	27,385	5,589	0	32,974
Depreciation					
As at 1 April 2016	0	3,499	2,716	7	6,222
Provided in the year	0	583	558	0	1,141
Disposals	0	0	0	(7)	(7)
As at 31 March 2017	0	4,082	3,274	0	7,356
Net book amount at 31 March 2017	0	23,303	2,315	0	25,618
Net book amount at 31 March 2016	0	18,659	2,043	0	20,702

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

11 INVESTMENTS

Company	Country of registration or incorporation	Principal activity	Shares held	
			Class	%
Red Hazels Developments Limited (Company number 09498298)	Lion Court Kings Business Park Prescot Liverpool L34 1BN United Kingdom	Property development	Ordinary	100

The charity holds one share of £10 in its wholly owned trading subsidiary company Red Hazels Developments Limited. This is the only share allotted, called up and fully paid.

The amounts included within the consolidated accounts for the subsidiary company are :

	2017 £000	2016 £000
Turnover	0	0
Expenditure, including Interest paid and received (Loss) for the financial year	104 (104)	58 (58)
Total Assets	11	3,431
Total (Liabilities)	(173)	(3,489)
Equity at end of year	(162)	(58)

12 FIXED ASSET INVESTMENTS

Movement in fixed assets investments

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Fixed asset investments held for return:				
Listed investment	10,154	9,836	10,154	9,836
Investment properties	200	350	200	350
	<u>10,354</u>	<u>10,186</u>	<u>10,354</u>	<u>10,186</u>

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Listed investments				
Fair value brought forward	9,836	13,693	9,836	13,693
Add: additions to investments at costs	650	768	650	768
Disposal at carrying value	(1,804)	(4,148)	(1,804)	(4,148)
Add net (loss)/gain on revaluation	1,472	(477)	1,472	(477)
Fair value carried forward	<u>10,154</u>	<u>9,836</u>	<u>10,154</u>	<u>9,836</u>
Historical cost at 31 March	7,978	8,060	7,978	8,060

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

12 FIXED ASSET INVESTMENTS (CONTINUED)

Investments at fair value comprised:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Equities – UK	3,206	3,025	3,206	3,025
Equities – Overseas	3,232	3,116	3,232	3,116
Fixed interest securities – UK	3,078	2,966	3,078	2,966
Property – UK	638	729	638	729
Fair value carried forward	<u>10,154</u>	<u>9,836</u>	<u>10,154</u>	<u>9,836</u>

The following holdings each constituted more than 5% of the year end fair value of the portfolio:

	£'000
Artemis Income	1,048
iShares Index Linked	1,197
Baillie Gifford Int	894
Capita Finl Trojan	713
M&G	677
Baillie Gifford	774
Charities Fund	638
iShares MSCI World	656
Sarasin Global Dividend	579
M&G Charifund	636

Investment properties held at the year-end comprise of The Newlands building valued at £200,000, (2016: £350,000) by GVA commercial property advisory company in June 2016 resulting in an impairment adjustment of £150,000 (2016:Nil). Trustees consider this to be an appropriate valuation. The property is valued on a fair value basis with consideration to the value of similar properties in the area.

13 STOCK

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Food products	22	22	22	22
	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>

There were no stock write downs in the current or preceding year.

14 DEBTORS

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	4,240	4,861	4,230	4,293
Amounts owed from group	0	0	82	2,940
Prepayments	658	533	663	533
Accrued income	827	1,714	827	1,714
	<u>5,725</u>	<u>7,108</u>	<u>5,802</u>	<u>9,480</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank loans and overdraft	350	153	350	153
Trade creditors	897	692	898	555
Accruals and deferred income	2,895	2,827	2806	2,827
Social security and other taxes	880	919	877	919
Other creditors	31	3,030	31	2,619
	<u>5,053</u>	<u>7,621</u>	<u>4,962</u>	<u>7,073</u>

Included in operating creditors is an amount of £105,682 (2016: £149,293) due to pension schemes which was paid subsequent to the year end. Prior year figures for Operating creditors have been reclassified from £2,467,000 (Company: £2,467,000) to £692,000 (Company: £555,000) and Other creditors and accruals from £2,389,000 (Company: £1,840,000) to £4,164,000 (Company: £3,752,000) in order to show comparable figures against 2017 balances.

Deferred Income at the end of the year was £657,000 (2016: 1,694,000) of which £191,000 (2016: £283,000) related to timing of invoices raised around year-end, and the other £466,000 (2016: £1,411,000) related to invoices in query.

16 CREDITORS DUE AFTER ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank loan and overdraft	4,675	2,115	4,675	2,115
	<u>4,675</u>	<u>2,115</u>	<u>4,675</u>	<u>2,115</u>

The bank loan from Barclays is secured by way of legal charges over five properties included within the total fixed asset cost within Note 10.

17 FINANCIAL INSTRUMENTS

	2017	2016
	£000	£000
Financial assets:		
Debt instruments measured at amortised cost	5,067	6,486
Instruments measured at fair value through profit or loss	10,354	10,186
	<u>15,421</u>	<u>16,672</u>
Financial liabilities:		
Measured at amortised cost	8,191	4,707

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

18 MOVEMENT IN FUNDS

GROUP

	At 1 April 2016	Income	Expenditure	Gain on investment assets	Pension	At 31 March 2017
	£000	£000	£000	£000	£000	£000
Unrestricted funds:						
Unrestricted funds	30,548	59,157	(59,843)	1,322	44	31,228
Restricted funds: gifted properties	2,145	0	(43)	0	0	2,102
Total funds	32,693	59,157	(59,886)	1,322	44	33,330

COMPANY

	At 1 April 2016	Income	Expenditure	Gain on investment assets	Pension	At 31 March 2017
	£000	£000	£000	£000	£000	£000
Unrestricted funds:						
Unrestricted funds	30,607	59,284	(59,766)	1,322	44	31,491
Restricted funds: gifted properties	2,145	0	(43)	0	0	2,102
Total funds	32,752	59,284	(59,809)	1,322	44	33,593

Purpose of Restricted Fund

Restricted funds represent the book value of properties held which were gifted for use as treatment centres within Alternative Futures Group. The properties can only be used for this purpose. Any proposed change of use, including ceasing activities at the properties or a sale of the properties would require permission from the donor.

Purpose of Unrestricted Fund

Unrestricted funds are for the use of Alternative Futures Group Limited's charitable objectives.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP	Unrestricted	Restricted	2017
	funds	funds	
	£000	£000	£000
Intangible fixed assets	0	0	0
Tangible fixed assets	23,415	2,102	25,517
Investments	10,354	0	10,354
Current assets	7,187	0	7,187
Current liabilities	(5,053)	0	(5,053)
Long term liabilities	(4,675)	0	(4,675)
Net assets	31,228	2,102	33,330

COMPANY	Unrestricted	Restricted	2017
	funds	funds	
	£000	£000	£000
Intangible fixed assets	0	0	0
Tangible fixed assets	23,516	2,102	25,618
Investments	10,354	0	10,354
Current assets	7,258	0	7,258
Current liabilities	(4,962)	0	(4,962)
Long term liabilities	(4,675)	0	(4,675)
Net assets	31,491	2,102	33,593

20 RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH INFLOW FROM CONSOLIDATED OPERATING ACTIVITIES

	2017	2016
	£000	£000
Net movement in funds	637	(4,065)
Adjustments for:		
(Profit) on disposal of tangible asset	0	(387)
(Gains)/losses on investments	(1,472)	477
Amortisation charges	262	394
Depreciation charges	1,141	1,072
Impairment of Fixed Asset Investment	150	0
	718	(2,509)
Movements in working capital:		
Decrease in stock	0	6
Decrease / (Increase) in debtors	1,383	(964)
(Increase) / Decrease in creditors	(2,766)	935
Balance as at 31 March	(665)	(2,532)

21 CAPITAL COMMITMENTS

The charity had capital commitments of £300,455 at 31 March 2017 (2016: £2,522,643).

22 RETIREMENT BENEFITS

Contributions are made by group member companies to the four pension schemes that are in operation, as follows:

- The NHS Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the

Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury.

The scheme is not designed to be run in a way that would enable employers of eligible employees' to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounting for as if it were a defined contribution scheme: the amount charged against profits represents the contributions payable to the scheme.

- A stakeholder pension scheme, for certain senior members of staff, of up to 14% of annual basic pay.
- Two defined benefit schemes (as noted below) as a result of staff joining the company by means of TUPE transfer.

The assets of these schemes are administered by Trustees in funds independent from those of the group.

Contributions to the scheme are charged in the SOFA as they become payable in accordance with the rules of the scheme.

Defined benefit plans

Lancashire County Pension Fund

These figures arise as a result of an admission of staff, as a result of a TUPE transfer, which commenced 10 November 2008. The figures cover the period from 1 April 2010 to 31 March 2017 and all the data items relate to the same period.

Greater Manchester Pension Fund

These figures arise as a result of an admission of staff, as a result of a TUPE transfer, which commenced in June 2007.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

22 RETIREMENT BENEFITS (CONTINUED)

The Balance Sheet and other disclosures as at 2017 are based on actuarial valuations as at 31 March 2017, and include the pension schemes in aggregate.

Overall assumptions:

Key assumptions used:	Total of pension schemes	Total of pension schemes
	2017	2016
	%	%
Discount rate	2.6	3.6
Expected return on plan assets		
Equities	3.3	3.3
Bonds	3.3	3.3
Property	3.3	3.3
Cash other	3.3	3.3
Rate of inflation	2.3	2.0
Expected rate of salary increases	3.5	3.5
Future pension increases	2.4	2.0

The average life expectancy for a current pensioner on the balance sheet date is:

	Total of pension schemes	Total of pension schemes
	2017	2016
	Years	Years
Male	22.3	22.6
Female	24.9	25.2

The average life expectancy for a future pensioner retiring at 65 aged at the balance sheet date:

	Total of pension schemes	Total of pension schemes
	2017	2016
	Years	Years
Male	24.5	24.9
Female	27.1	27.6

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Amounts recognised in the statement of financial activities in respect of these defined benefit schemes are as follows:

	Total of pension schemes	Total of pension schemes
	2017	2016
	£000	£000
Current service cost	81	96
Interest cost	173	168
Expected return on scheme asset	(188)	170
	<u>66</u>	<u>434</u>

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22 RETIREMENT BENEFITS (CONTINUED)

Of the charge for the period, a gain of £44,000 (2016: gain of £71,000) has been included in expenditure. Actuarial gains and losses are reported in the statement of financial activities. The gain recognised in 2017 was £263,000 (2016: £407,000 gain).

An additional loss of £219,000 (2016: £336,000 loss) has been included in the Statement of Financial Activities this year in relation to the movement in the asset in the Greater Manchester Pension Fund and the Lancashire County Pension Fund being derecognised from the Balance Sheet, in accordance with Charities SORP requirements, since the charity is unable to recover any surplus through either reduced contribution in the future or through refunds from the scheme.

The actual return on scheme assets was £308,000 (2016: £455,000) for Lancashire County Pension Fund and £102,000 (2016: £122,000) for Greater Manchester Pension Fund.

The amount included in the Balance Sheet arising from the Group's obligation in respect of defined benefit retirement schemes is as follows:

	Total 2017 £000	Total 2016 £000
Fair value of scheme assets	6,284	5,343
Present value of defined benefit obligations	(5,667)	(4,945)
Asset in scheme	617	398
Asset on Greater Manchester scheme derecognised in year	(189)	(90)
Asset on Lancashire scheme derecognised in year	(428)	(308)
Recognised in balance sheet	<u>0</u>	<u>0</u>

Movements in the present value of defined benefit obligations in the current period were as follows:

	Total 2017 £000	Total 2016 £000
At start of period	4,945	5,143
Current service cost	81	96
Interest cost	173	168
Actuarial losses and (gains)	652	(391)
Contributions by plan participants	17	19
Benefits paid	(201)	(90)
At the end of the period	<u>5,667</u>	<u>4,945</u>

Movements in the fair value of scheme assets in the current period were as follows:

	Total 2017 £000	Total 2016 £000
At start of period	5,343	5,205
Expected return on scheme assets	188	170
Administrative expenses	(1)	(1)
Actuarial gains	915	16
Employer contributions	23	24
Members contributions	17	19
Benefits paid	(201)	(90)
At the end of the period	<u>6,284</u>	<u>5,343</u>

22 RETIREMENT BENEFITS (CONTINUED)

The analysis of the scheme assets and the expected rate of return at the balance sheet data were as follows:

Basis for determining the overall expected rate of return on assets:

Lancashire County Pension Fund

Long-term rate of return on assets

The expected rate of return on plan assets is based on fair expectations, at the beginning of the period, or investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class. The rates quoted are gross of expenses.

Asset class Investment return as at 31 March 2017

	Total of pension schemes Fair value assets 2017 £000	Total of pension schemes Fair value assets 2016 £000
Equity Instruments	0	1,435
Government bonds	97	83
Other bonds	77	83
Property	425	401
Cash / liquidity	53	142
Other assets	4,176	2,028
	<u>4,828</u>	<u>4,172</u>

Greater Manchester Pension Fund:

Basic principle

The expected return on pension fund assets is derived from the HRAM model.

The HRAM model for equity returns is based on total returns which are specified by a risk premium relative to cash. The general formulation is: equity total return in month t = cash return in month t + risk premium in month t + random component in month t.

Asset class Investment return as at 31 March 2017

	Total of pension schemes Fair value assets 2017 £000	Total of pension schemes Fair value assets 2016 £000
Equity Instruments	1,092	855
Government bonds	233	199
Other bonds	0	0
Property	73	70
Cash / liquidity	58	47
Other assets	0	0
	<u>1,456</u>	<u>1,171</u>

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22 RETIREMENT BENEFITS (CONTINUED)

The history of experience adjustments is as follows:

	Total of pension schemes 2017 £000	Total of pension schemes 2016 £000	Total of pension schemes 2015 £000	Total of pension schemes 2014 £000	Total of pension schemes 2013 £000
Present value of defined benefit obligations	(5,667)	(4,945)	(5,143)	(4,151)	(4,789)
Fair value of scheme assets	6,284	5,343	5,205	4,689	4,266
surplus / (deficit) in scheme	617	398	62	538	(523)
Experience adjustments on scheme liabilities	352	6	6	549	-
Experience adjustments on scheme assets	106	177	291	177	342

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2017 are £Nil (2016: £12,000) in respect of Lancashire County Pension Fund and £16,000 (2016: £16,000) in respect of Greater Manchester Pension Fund.

23 LEASING COMMITMENTS

At the reporting end date the Charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017 £	2016 £000	2017 £	2016 £000
Within one year	163	181	163	181
Between two and five years	349	408	349	408
After five years	10	2	10	2
	522	591	522	591

24 TAXATION

Alternative Futures Group Limited as a registered charity is exempt from Corporation Tax under the Corporation Tax Act 2010 (chapters 2 and 3 of part ii, section 466 onwards) or Section 256 of the Taxation for Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes.

25 LEGAL STATUS OF THE CHARITY

The charity is a company limited by guarantee incorporated within the United Kingdom and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

As at 31 March 2017, the company had 10 members (2016: 10).

26 CONTINGENT LIABILITY

The Charity recognises the findings of a recent employment appeal tribunal (Mencap) with regards to the payment of a sleeping night shift to employees, falling within the national living wage and the subsequent pursuit of back payments, and taxes by HMRC. The Charity has operated a policy of topping up its staff pay on an average pay method where a sleeping night exists since July 2015 and has not received any civil or employment tribunal claims with regards this matter.

The group is aware of a potential obligation related to three employment tribunal claims, which arise from past events. These liabilities have not been recognised as a provision within the accounts, as the probability of the liability is uncertain. We are aware that the initial amounts for two of the cases totals £69,000; while amounts relating to the third claim cannot be reliably measured at this time.

The group is unaware of any other material liabilities for which provision has not been made in these financial statements.