

Company No: 02679915

Charity No: 1008587



**ALTERNATIVE FUTURES GROUP LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2018

# ALTERNATIVE FUTURES GROUP LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 March 2018

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<b>INDEX</b>	<b>PAGE</b>
<b>Report of the Trustees, and strategic report</b>	
• Foreword	1-3
• Governance: structure and management	3-6
• Objectives and activities	7-8
Strategic Report	9 -19
• Achievements, Performance and Public Benefit	9 - 12
• Financial Review and Results	13 - 15
• Environment	16
• Principal Risks and Uncertainties	17 - 18
• Future Plans 2018-19	19
Report of the independent auditor	20 - 22
Consolidated statement of financial activities	23
Consolidated balance sheet	24
Company balance sheet	25
Consolidated cash flow statement	26
Principal accounting policies	27 - 31
Notes to the financial statements	32 - 50

# 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 2018. The Trustees have prepared this report under the Companies Act 2006 and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the statement of recommended practice (SORP) applicable to charities preparing their accounts in accordance with that standard. 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:

Although 2017/18 presented many challenges for the health and social care sector with an increasingly complex regulatory environment and inspection regime, the continuing constrained financial position of our commissioners and the uncertainty about the sustainability of the care sector as a whole, it was a year during which Alternative Futures Group identified more opportunities than threats. Our work over the last year continues to add to a solid and sustainable platform on which to build our ambition for the beneficiaries of the charity. We have maintained our reputation as a quality provider with the people we support, their families, our regulators and commissioners. We have maintained overall "Good" ratings for all our services apart from one that is in the process of improvement. We have continued to ensure sound financial controls, robust governance processes, and high levels of morale among our staff. Under the leadership of the Board of Trustees we have reinvigorated our mission, and values at the same time holding true to our vision of *"a world where people control their lives"*.

2017/18 in contrast to 2016/17 has generated an overall deficit of £3.1m. This is due to three main factors;

- Firstly, all the major properties owned by the charity were valued by a surveyor to consider any potential indicators of impairment. This resulted in one property being impaired by £1.6m. The head office property (Lion Court) was valued in the year £2.2m below current net book value, however, given that there has been no change in service potential, nor is there any intention to dispose of this property in the foreseeable future, no impairment has been made in respect of this property. Other property valuations indicated a net increase in value of £7.1m (including Lion Court) compared to current net book value. However, as the charity does not adopt a revaluation policy these properties remain in the balance sheet at original cost less accumulated depreciation.
- The second factor is our Tesito House womens' acute mental health rehabilitation hospital in Greater Manchester which commenced admitting service users in the year. This high acuity service has built up slower than anticipated through the period and resultantly generated an operating loss of £1.45m. The facility, when higher occupancy is attained, will then be accretive to performance.
- The final factor impacting performance is the recognition of a doubtful debt provision of £0.4m in respect of historic receivables that a highly unlikely to be realised.

Outside of the impact of all of the above the other underlying activities of the charity generated a surplus of £0.3m.

The Board of Trustees have decided to invest in a programme of organisational learning and development, focussed on our front-line leaders which has highlighted the depth of the quality of our staff. This programme will set the front-line leadership of Alternative Futures Group apart within the care sector for the foreseeable future. Through this programme we will ensure that we are able to continue the high quality of work we do for our beneficiaries and push improvements further.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

Having noted the position for 2017/18 it is also clear to the Board that there is still more work to be done in many areas of our charitable offer to improve operational efficiencies whilst continuing to deliver high quality services. The significant achievements to be recognised and built on in the future also include:

- ❖ The increased number of very complex packages of support that we have provided to individuals in the community. In Lancashire Region we have met the needs of 3 more such individuals while in Cheshire Region there are 4. Although the numbers are small the highly complex nature of the support required means that without our offer to these people their care would continue to be provided in circumstances of significant restriction, and for some, secure settings. There is a real sense in the charity that in supporting these people in the community we are working, slowly but confidently, towards achieving our mission of *"a world where people control their lives"*.
- ❖ We have recognised that although it is important to provide new services for our beneficiaries it is equally important to improve and develop existing provision and make use of our new rostering system and other developing systems to improve efficiencies and maintain quality. During 2017/18 we have developed in each of our operating regions a service transformation plan. The Cheshire Region has a program of work for the remodelling of traditional supported living services. In Lancashire two reconfiguration projects have been undertaken with new "apartment" style facilities supporting 16 individuals. In Merseyside we have been commissioned to take over and transform a traditional 16 bed facility.
- ❖ 2017/18 has seen the development of a comprehensive and forward-looking strategy for the future of our independent hospitals and the relationship which we need to further develop with the NHS.

Underpinning the service and charitable offer successes there are three critical business development tasks which have been successfully pursued during 2017/18 including:

- ❖ The development of the digital environment within the organisation, on time and within budget. During 2017/18 the E-rostering system has been successfully implemented and plans laid for the HR and payroll system, these new systems will ensure greater efficiency and effectiveness in how our workforce is deployed. We have also developed plans for the implementation of a new financial management and care systems. This developing digital platform offers the opportunity for later developments leading to the increasing use by the charity of supportive care technologies.
- ❖ In 2017/18 the Board of Trustees have continued to focus on maintaining financial discipline, strong financial control along with good decision making and governance. Although the year-end outturn shows an operating deficit this has not been because of failing to maintain financial discipline and strong financial control, but reflects the challenging environment the charity operates in. Plans are already in place to address this next year.
- ❖ The investment in the organisational learning and development programme for front-line leaders putting in place the best operational leaders directly supporting the care of the charity's beneficiaries. This ensures that we are able to continue the great work we do for the people we are here to support ensuring that we will continue to deliver for our beneficiaries into the future.

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

**It is with deep regret I have to report on the sudden death of our Chief Executive, Neil Campbell on 9 September 2018, after this foreword from both of us was written. Neil provided strong and visionary leadership throughout his twelve years with AFG. He had significant influence in promoting, more widely, the values which have become the hallmark of AFG and was admired for his person-centred leadership style. He will be greatly missed by colleagues and friends within the organisation and across the wider sector.**

### **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 Developments 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)  
Andrew Lomas (Vice Chair)  
Angela Phillips (*term completed 26 January 2018*)  
Karen Brookes (*term completed 30th June 2017*)  
Erica Boardman (*term completed 26 March 2018*)  
Michael Parkinson  
Mike Clarke  
Daniel Chaffer  
Jonathan Lloyd  
Iain Bell  
Jane McDonald (*appointed 19 January 2018*)  
Linda Whalley (*appointed 19 January 2018*)  
Janet Wilkinson (*appointed 19 January 2018*)

#### **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
Director of Corporate & Commercial Development	Ian Pritchard ( <i>appointed 2 January 2018</i> )
Director of Group Operations	Andrew Gray ( <i>appointed 3 April 2018</i> )

#### **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.

During the year three trustees completed their terms and three new trustees have been recruited to Alternative Futures Group since January 2018, giving a total of 10 trustees on the Board. The new appointments have positively added additional skill sets to the Board.

Annual assessments of performance for the Board, the Committees and individual Trustees are led by the Chair. This is to ensure that the Board maintain clear oversight of assurance and decision-making required in line with its responsibilities.

Qualifying third party indemnity provision is in place for the benefit of Trustees.

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 to December 2017)**

**Iain Bell (Chair from January 2018)**

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 internal and 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. The Committee also oversaw the appointment of new Internal Auditors and considered changes imposed through GDPR ensuring the organisation's compliance with the regulations.

- **Performance Committee**

**Karen Brookes (Chair to December 2017)**

**Jonathon Lloyd (Chair from January 2018)**

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. 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.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### GOVERNANCE, STRUCTURE AND MANAGEMENT (CONTINUED)

#### • **Trustee Appointments/Remuneration Committee**

**Angela Phillips (Chair to December 2017)**

**Andrew Lomas (Chair from January 2018)**

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.

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. Following the departure from Alternative Futures Group of a number of EPF representatives, mid-year elections were held that resulted in the appointment of four new representatives. 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 other 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.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### **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 independent hospitals 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.



# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### 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:

***Together with our people and partners we will unlock skills, gifts and talents to support everyone's right to choose and achieve their aspirations.***

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 independent hospitals 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 year the average number of individuals supported each week was 961 (2017: 1,004).

Non-residential care during 2017/18 was wholly funded through contracts with Local Authorities in the North West of England.

#### **Residential Care**

Alternative Futures Groups has eight Independent Hospitals which provide short-term rehabilitation support to people with long term mental health issues. Of these, a new, state of the art service at Tesito House in Manchester was opened on World Women's Day on 16 March 2017 and provides a unique model of support for 24 women with a range of complex mental health needs. The service has had a slow occupancy build up through the period, reflecting both the complexity of service users and having sufficient staffing of a high calibre as the service becomes established.

Residential care provided during 2017/18 was wholly funded through contracts with the NHS across the North West of England.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

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### **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 2017/18. The appointment of auditors will be agreed by the Board in October 2018.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### 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 2017-18

Our objectives created in 2016/17 remain the same to ensure the longer term health and security of the organisation.

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

We continue to focus on strengthening the organisation financially and providing high quality services.

#### Financial stability

For the year 2017/ 2018 we are reporting an overall deficit of £3.08m, against a planned surplus of £0.65m. This demonstrates an improvement over 2015/16 when we reported a £4.1m deficit but a worsening of position against 2016/17 of £0.6m surplus. Outside of the property impairment and doubtful debt provision, we have faced a number of challenges during the year including changes to the legislative environment we work within such as the National Minimum Wage increase of 4.2%, National Minimum Wage for sleep-ins, Average Holiday Pay, the Apprenticeship Levy and Employer Pensions contribution changes, together with the commissioning of a new independent hospital in Manchester. Despite the recent deficit, the Group continues to retain a strong balance sheet.

The Transformation Programme was finalised at the end of the year 2016/17, moving much of our central resources and functions to a regional model, to position the resource at a local level and enable rapid and flexible action. This approach created 4 regions managing both Independent Hospitals for people with mental health needs and community based services supporting people with mental health and learning disabilities.

We have improved our approach and understanding of negotiating rate increases, to meet the changing cost and legislative environment. Increased emphasis will be given to contracts where the economic viability is in question.

#### 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 and the financial deficit, through continuous discussion and an appreciation of the Group's strategy together with regular reporting, 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 positively positions the organisation 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 but one of our locations being rated by CQC as *Good*.

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**

We have introduced a new role of Commercial and Development Director to the Executive team during the year. This role will support the focus Alternative Futures Group requires to develop our offer and give greater penetration into our key markets of mental health and learning disability services.

We have been successful in bidding to be included in a number of framework agreements, which are essential to be able to bid for new work, these will allow us to grow in our key areas over 2018/19. We were successful in Lancashire gaining admittance to the mental health rehabilitation framework, allowing us to move into this area of provision within Lancashire. This has led to plans to develop a flat complex for people with mental health needs in Clitheroe.

We began to respond to the Transforming Care programme with key local authorities including Warrington, Lancashire and Liverpool. These services will work with some of the highest need individuals in a community setting. Our aim in 2018/19 is to build on this position and deliver high value commissions for people leaving institutions in every one of our regions.

Our work with Health commissioners and providers has continued, operationalising the Tesito House hospital in Ardwick Manchester for women with complex mental health challenges. This being part of our developing and evolving partnership with GMMH and the prime provider model in Greater Manchester. We have developed a new service, Honeysuckle Lodge that opened in May 2018. This is a 14 unit service within the grounds of Bolton Royal Hospital (who are the registered provider) for women with mental health needs who are currently supported outside of the Greater Manchester area. The service will offer rehabilitation services with an 18 – 24 month pathway. These represent some of the examples of expanding our offer and reach.

The introduction of an electronic rota planning system, People Planner, in the year was part of our move towards digitalisation and improve performance information. The system went live in August 2017 and we have started to receive information on the utilisation of colleagues, the delivery of hours to contracts and more accurate information on the deployment of contracted and agency colleagues in our services.

In addition to the implementation of People Planner during 2017/18 we continued the definition and development requirements of the new HR and Payroll systems and reviewed the feasibility of a replacement finance and procurement system. These systems being targeted for implementation in 2018/19 together with a new eCare Management system.

These developments represent the continuation of our Digital Strategy implementation as we modernise systems to cloud based solutions and at the same time extending our reach to front line services with more real time management information.

The opening of Tesito House, our new independent hospital in Manchester, provides 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 years. At the same time we continue to reduce the average length of stay for people in our other independent hospitals to just 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.

### **Research and Development**

As discussed above, time has been spent in the year developing a new human resources and payroll systems as they progress through the design, configuration and testing phases. The trustees consider the investment in these new systems is essential to ensure they can obtain more real time management information and to ensure systems are fit for purpose.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### Achievements, Performance and Public Benefit contd.

#### Measuring impact

As Trustees we monitor both Strategic and Operational Performance and risk and associated impact of our activities through our digital Performance Management System. Data capture and management reporting are produced from Pentana via our Performance Management Reporting Model (see below) and Risk Identification and Reporting Model (see page 18).

Detailed Monthly (Executive Team) and Quarterly (Trustees) exceptions performance reports provide:

- **Performance:** a series of Key Performance Indicators based on the reporting model 'balanced scorecard' which includes: Financial; Customer; Business development; People and Quality metrics.
- **Risk:** group corporate (strategic) and regional (operational) high risks associated with our business activities which adopts the approach as per the Charity Commission's guidance (CC26).

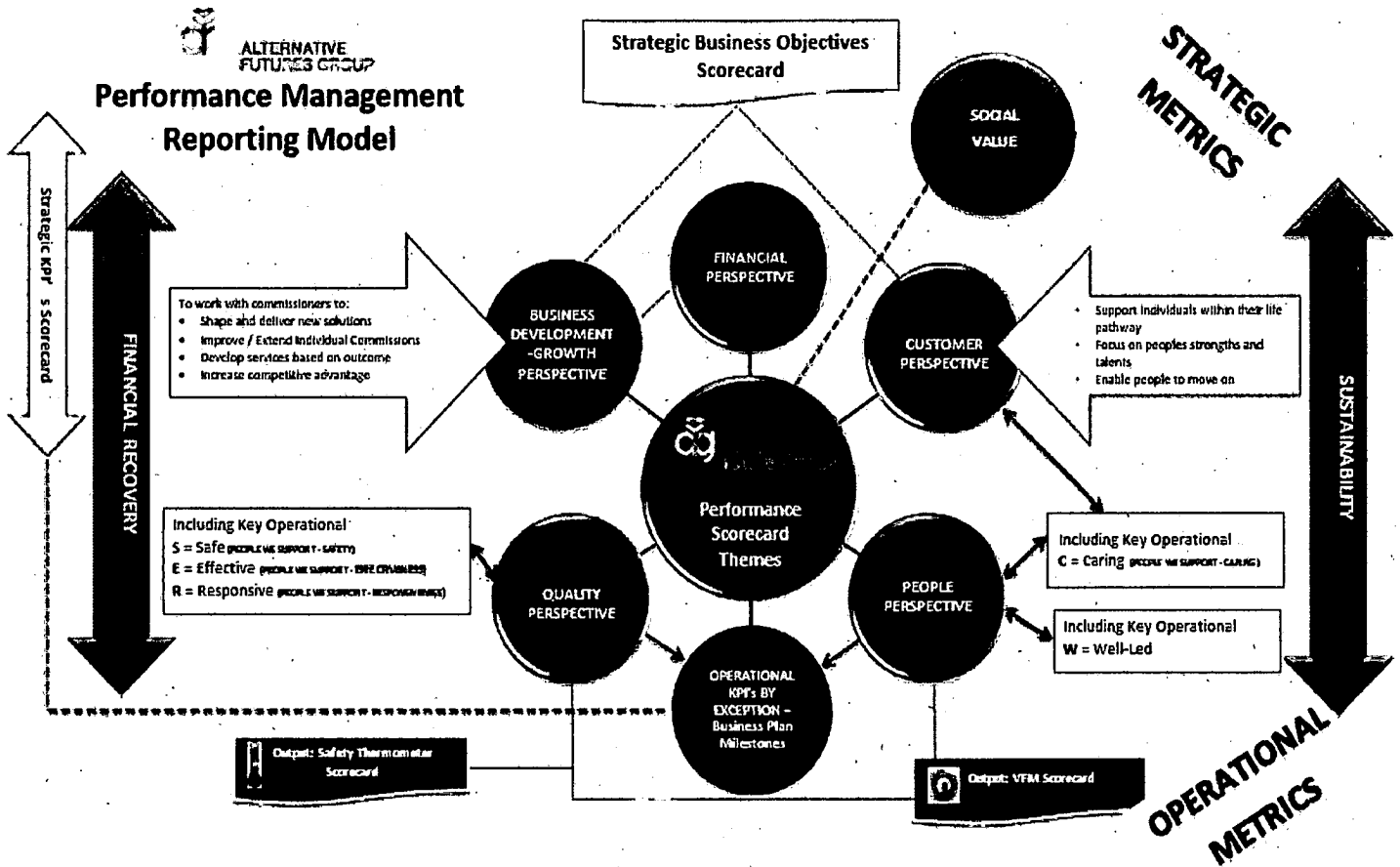
Introduced in the summer of 2017 our new Performance and Risk Management System is a digital solution which enables Trustees to view the latest performance and risk data (on-demand) including current position; historical data, trends, forecasts commentary (by month) and action plans. This self-serve application includes the option of running reports with the latest published performance data (updated monthly). This application has the capability to deliver real 'live' performance data which can be realised through a project approach to be scheduled following the implementation of our new HR and Finance related digital platforms implementation.

Improved focus on operational performance has seen improvement in areas such as medication errors, suspensions opened and sickness over the previous reporting year. Most of the remainder KPIs remain within 5% of the previous year's outturn performance with improving trends following the close management of exception KPI action plans.

Alternative Futures Group's Performance Management Model also monitors delivery of the strategic business plan, the goals within each of the regional business plans being aligned with the relevant strategic objective.

**Performance architecture**

- Our performance management Model can be demonstrated diagrammatically as follows:



Performance management and reporting will continue to be developed / refined over the coming financial year including the development of our Strategic composite KRI's (Key Results Indicators) and their associated targets.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### 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 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 group and charitable company and of the incoming resources and application of resources, including the income and expenditure 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 and Group 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.

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.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### FINANCIAL REVIEW AND RESULTS (CONTINUED)

#### Financial Review and results

The Board of Trustees have recognised and continue to respond 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 ins, pension costs and holiday pay, during a continued period of public sector austerity. The results for the year reflect this with a reported overall deficit of £3.08m a decrease on the surplus of £0.637m for the previous year, inclusive of net gains in investments of £0.062m being £1.260m less than the previous year. Incoming resources for charitable activities decreased by 1.5% to £58.1m (2017 £58.9m). Operating costs increased by 2.7% to £61.5m (2017 £59.9m), with an asset impairment representing £1.6m within the overall £1.6m increase. The head office property (Lion Court) has been valued £2.1m below net book value, however, given that there is no change in service potential and it is intended to be held for the foreseeable future, management have made the decision to not impair the property.

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 £0.812m at 31 March 2018, 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 £0.258m and the movement in the derecognised asset of £0.195m are both shown through other gains and losses on the face of the consolidated statement of financial activities.

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 2018 these investments amounted to £8.826m with an unrealised loss on investment of £0.750m and realised gains of £0.812m in the year. The funds held in investments are being used to further the aims of the charity. The return on investment was £0.268m (excluding cash) for the year.

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.

Performance against the financial KPIs for 2017/18 was monitored throughout the year by the Performance Committee. Overall performance outside of the deficit in other respects was sound with creditor days at 44 (against a target of >30), debtor days 33 (target <30), liquid reserves £6.4m (target £5.2m), investment return 3.6% (target 3%) and gearing 14.3% (target <35%).

#### Going Concern Status

As a result of the programme undertaken by the Executive Team to restructure the workforce during 2016/17, together with the partnership work with commissioners, the forecast outlook for 2019/20 and targets for 2018/19 together with the strength of the balance sheet, 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 3.6% 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.



# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

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### FINANCIAL REVIEW AND RESULTS (CONTINUED)

At 31 March 2018, Alternative Futures Group Limited reported the level of unrestricted, undesignated reserves at £6.4m (2017: £7.8m), these figures are after excluding reserves equivalent to the net book value of fixed and intangible 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 on behalf of Service Users

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 2018 the charity held funds of £26,198 (2017: £26,198) of service users' personal monies, which are included in our balance sheet and are 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, 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, 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 continues to be 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 and monitored by the Performance Committee on a regular basis.

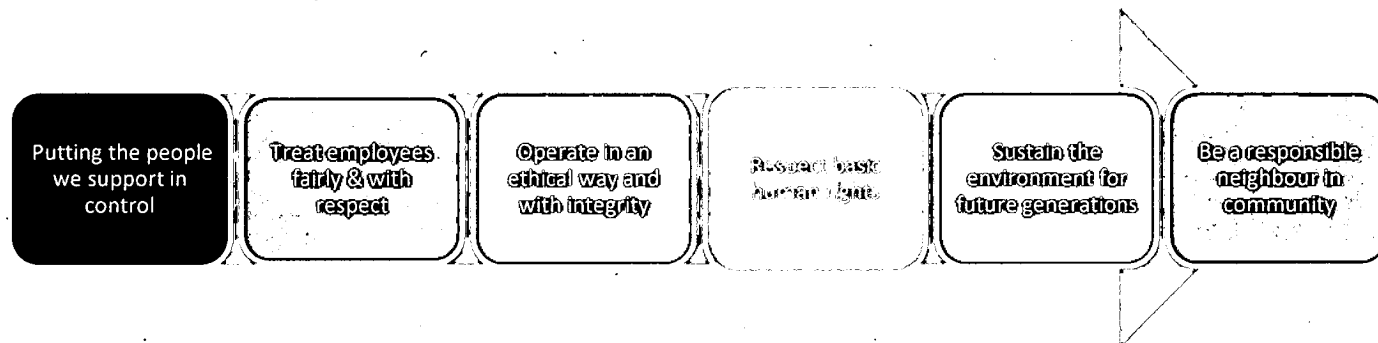
Given that all of the Charity's income comes from public sector bodies, Alternative Futures Group faces very low credit risk. There could be instances of delayed payment which could affect the Charity's liquidity but Alternative Futures Group has strong cash flow management and debt recovery procedures 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, Mission 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 as a socially responsible organisation is set out in our Corporate Social Responsibility (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 Mobeë Gambia, and working closely with other local providers in our sector.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

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### PRINCIPAL RISKS AND UNCERTAINTIES: THE MONITORING AND MANAGEMENT OF RISK

There are a number of high level risks impacting on the organisation and our operation. The main risks being :

- 1) Funding
- 2) Staffing – retention, recruitment and changes to legislation
- 3) Quality
- 4) Change and organisational model

The risks to the organisation and indeed the sector remain unchanged from 2016/17. There remains considerable strain on the health and social care sector due to increasing demand and insufficient funding in place to meet the need. This has placed increasing pressure on commissioners and service providers to deliver services both to the high number of people requiring support and higher need individuals. There is no clear solution in place from a governmental approach, therefore providers must continue to deliver services as efficiently as possible and closely monitor every contract for its viability. We continue to negotiate with Local Authorities and Clinical Commissioning Groups on the rates for our services, and will through 2018/19 consider the financial viability of every contract within the organisation with a clear options appraisal plan. This will be aided by greater more specific financial information and clearer understanding of our cost models. The need to remain competitive and deliver efficiencies, whilst still remaining local and delivering ever better outcomes and quality in a very competitive market is key to the organisations future sustainability.

The second major risk to the organisation is connected to the first, this is around the attraction, retention and employment of colleagues. The recruitment market for support workers, nurses and management colleagues is increasingly challenging, particularly in competitive areas such as the North West conurbations, rural settings and high salary areas. We are in direct competition for skilled colleagues with public sector employers and private organisations. This has required us to look at more and more creative ways to attract new staff members. We will need to continue to be imaginative in our approaches, look at the benefits of working for us and how we can differentiate ourselves in a crowded market, which includes many non-care employers. Going forward we will need to ensure we can retain our skilled and trained colleagues, positioning ourselves as an employer of choice with both competitive benefit packages and a positive engaged culture. This will require investment in our learning offer, development of our leaders and engaging with current and potential colleagues.

In a competitive market and one where both regulators and customers require increasing and changing levels of quality and involvement we must evolve to meet these requirements. There have been a number of high profile cases where health and care services have not met the standards they should, and the resulting impact on the people receiving those services. We ensure that all of our colleagues understand fully the need to offer the highest levels of quality and these are consistent across the organisation. To ensure that our processes are robust, we continue to learn and we work with stakeholders to improve. We must also ensure that we involve the people we support, their families and support networks in the way we deliver our services and measure their effectiveness.

The final risk is ensuring our structures and systems are as effective as possible to meet the needs of the people we support, ensure we are financially viable and deliver the positive impact and outcomes for our stakeholders. The transformation programme, started in 2015/16 has been embedded through 2016/17 and 2017/18. We are now at a point where we can assess the model we have put into place and improve on it further, recognise the areas which are working well, build on these and replicate across the organisation. Some areas will need further work and review and this will be one of our main priorities over the next 12 months to further refine the model, ensure it meets the current and emerging needs and takes us to the next stage of our development.

In our governance structure the Board of Trustees has the ultimate responsibility for managing our risks. This responsibility has been delegated to the Audit and Risk Committee (ARC) who review and maintain an effective framework of risk management. 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 ARC is responsible for appointing internal auditors and ensuring there is an effective internal audit function, provided in 2017/18 through RSM Risk Assurance Services LLP. In addition the Committee is responsible for recommending the appointment of external auditors; for approving the terms of engagement and audit fees; 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.

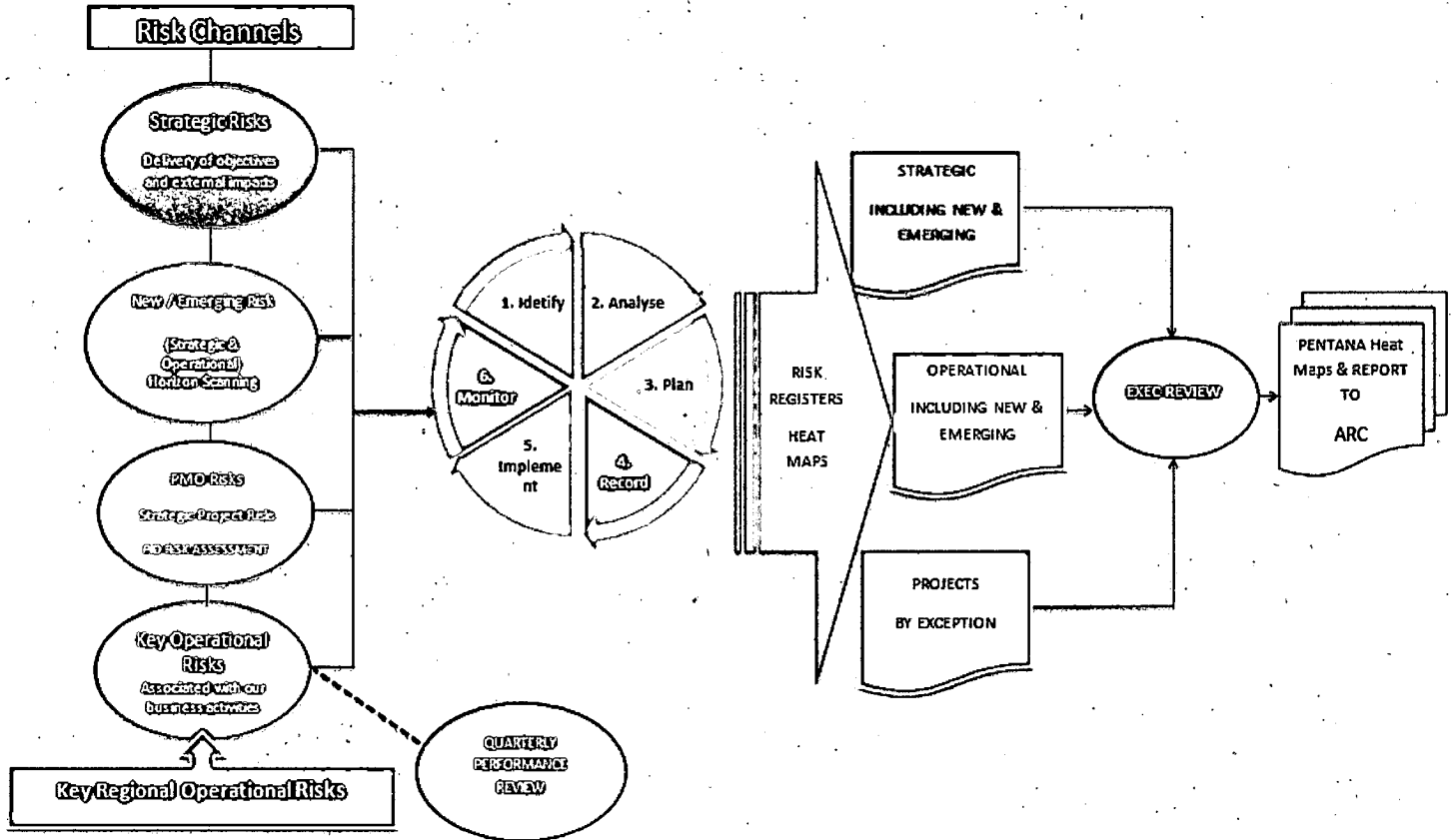
# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

Risk controls will continue to be refined and developed to ensure they remain fit-for-purpose and mitigate organisational risk during 2018/19 and further.

### Diagram 2 – Risk architecture

- Our risk management Model can be demonstrated diagrammatically as follows:



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.

# ALTERNATIVE FUTURES GROUP LIMITED

## REPORT OF TRUSTEES

### **FUTURE PLANS 2018-19**

Alternative Futures Group's purpose and ambition that we have for our alternative future still focusses on our vision of "a world where people control their lives" delivered through our new mission of "together with our people and our partners, we will unlock skills, gifts and talents to support everyone's right to choose and achieve their aspirations". In line with this, our priorities for 2018/19 are outlined below:

#### Business Development and Growth Priorities

1. To increase the number of high-value individual commissions and support packages across each of our regions as we look to build and evolve our complex care offer.
2. To transform and modernise the support that we provide to people in our existing and traditional supported living services, by offering bespoke individual accommodation and support in partnership with our strategic housing providers.
3. To expand our coverage and reach through development and provision of new and bespoke individual accommodation and support packages for people not currently supported by AFG.
4. To undertake a re-design and re-position of the service model for our community mental health pathway offer (independent hospitals and community services) in line with the changing requirements of the NHS.
5. To expand our service coverage beyond our traditional geography and develop a presence in both the Stoke on Trent and Staffordshire regions.
6. To expand our service offer into complimentary adjacent markets (such as addition dependency) through the route of merger, acquisition and partnership.

#### Key Enabling Priorities

1. Financial Stability – To continue to build a solid financial platform and optimise with further disciplined financial control and good decision-making.
2. IT/System Investment – To continue to develop the digital environment within the organisation, building on the successful implementation of our new e-Rostering system in 2017, we will pilot and implement a new HR and payroll system, a new procurement and financial planning system, and a new eCare Management system.
3. People & Organisational Design - To continue to develop and differentiate our organisation through our people and the quality of care they provide. We will create a more sustainable and capable workforce through building a healthy and engaged culture with a focus on inspirational leadership.

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



**Chris Hannah - Chair**

26 September 2018

# ALTERNATIVE FUTURES GROUP LIMITED

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

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### Opinion

We have audited the financial statements of Alternative Futures Group Limited (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31<sup>st</sup> March 2018, which comprise Group Statement of Financial Activities (including the Group Summary Income and Expenditure Account), the Group and Company Balance Sheets, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

# ALTERNATIVE FUTURES GROUP LIMITED

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

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### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report and the incorporated Strategic Report prepared for the purpose of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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 their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the incorporated Strategic Report.

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

- adequate 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.

### Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 13, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

# ALTERNATIVE FUTURES GROUP LIMITED

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

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### Use of our report

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

RSM UK Audit LLP

Anna Spencer-Gray (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
14<sup>th</sup> Floor  
20 Chapel Street  
Liverpool  
L3 9AG

Date: 10 October 2018



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

For the year ended 31 March 2018

Company no. 02679915

	Note	Unrestricted funds	Restricted funds	Total 2018	Unrestricted funds	Restricted funds	Total 2017
		£000	£000	£000	£000	£000	£000
<b>Income</b>							
Charitable activities	1	58,060	0	58,060	58,932	0	58,932
Investments	2	268	0	268	225	0	225
<b>Total income</b>		<b>58,328</b>	<b>0</b>	<b>58,328</b>	<b>59,157</b>	<b>0</b>	<b>59,157</b>
<b>Expenditure on:</b>							
Charitable activities	3	59,842	43	59,885	59,356	43	59,399
Exceptional Items	4	1,603	0	1,603	433	0	433
Raising funds		44	0	44	54	0	54
<b>Total expenditure</b>		<b>61,489</b>	<b>43</b>	<b>61,532</b>	<b>59,843</b>	<b>43</b>	<b>59,886</b>
Net gain on investments	12	62	0	62	1,322	0	1,322
<b>Net(expense)/ income</b>		<b>(3,099)</b>	<b>(43)</b>	<b>(3,142)</b>	<b>636</b>	<b>(43)</b>	<b>593</b>
<b>Other recognised gains / (losses)</b>							
Actuarial gain on defined benefit pension scheme	22	258	0	258	263	0	263
Movement in pension scheme asset derecognised	22	(195)	0	(195)	(219)	0	(219)
<b>Total other recognised gains and losses</b>		<b>63</b>	<b>0</b>	<b>63</b>	<b>44</b>	<b>0</b>	<b>44</b>
Net movement in funds		<b>(3,036)</b>	<b>(43)</b>	<b>(3,079)</b>	<b>680</b>	<b>(43)</b>	<b>637</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		31,228	2,102	33,330	30,548	2,145	32,693
<b>Total funds carried forward</b>		<b>28,192</b>	<b>2,059</b>	<b>30,251</b>	<b>31,228</b>	<b>2,102</b>	<b>33,330</b>

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**

As at 31 March 2018

Company no. 02679915

	Note	2018	2017
		£000	£000
<b>Fixed assets</b>			
Intangible assets	9	832	0
Tangible assets	10	23,040	25,517
Investments	12	9,026	10,354
		<u>32,898</u>	<u>35,871</u>
<b>Current assets</b>			
Stocks	13	7	22
Debtors	14	5,643	5,725
Cash in hand and at bank		987	1,440
		<u>6,637</u>	<u>7,187</u>
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	15	(4,949)	(5,053)
<b>Net current assets</b>		<u>1,688</u>	<u>2,134</u>
<b>Total assets less current liabilities</b>		<u>34,586</u>	<u>38,005</u>
<b>Creditors:</b> amounts falling due after more than one year	16	(4,335)	(4,675)
<b>Total net assets</b>		<u><u>30,251</u></u>	<u><u>33,330</u></u>
<b>Funds:</b>			
Unrestricted funds	18	28,192	31,228
Restricted funds		2,059	2,102
		<u><u>30,251</u></u>	<u><u>33,330</u></u>

The financial statements were approved and authorised for issue by the Board of Trustees on 26 September 2018, and signed on their behalf by:



Chris Hannah - Chair

**ALTERNATIVE FUTURES GROUP LIMITED**  
**COMPANY BALANCE SHEET**  
As at 31 March 2018

Company no. 02679915

	Note	2018	2017
		£000	£000
<b>Fixed assets</b>			
Intangible assets	9	832	0
Tangible assets	10	23,141	25,618
Investments in subsidiary	11	0	0
Investments	12	9,026	10,354
		<u>32,999</u>	<u>35,972</u>
<b>Current assets</b>			
Stocks	13	7	22
Debtors	14	5,643	5,802
Cash in hand		987	1,434
		<u>6,637</u>	<u>7,258</u>
<b>Creditors: amounts falling due within one year</b>	15	(4,843)	(4,962)
<b>Net current assets</b>		<u>1,794</u>	<u>2,296</u>
<b>Total assets less current liabilities</b>		<u>34,793</u>	<u>38,268</u>
Creditors: amounts falling due after more than one year	16	(4,335)	(4,675)
<b>Total net assets</b>		<u><u>30,458</u></u>	<u><u>33,593</u></u>
<b>Funds:</b>			
Unrestricted funds	18	28,399	31,491
Restricted funds		2,059	2,102
		<u><u>30,458</u></u>	<u><u>33,593</u></u>

The entity has taken the exemption from presenting its unconsolidated income and expenditure account under section 408 of the Companies Act 2006. This unconsolidated loss in relation to the company for the year was £3,136,000 (2017: profit £842,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 26 September 2018, and signed on their behalf by:

*Chris Hannah*

**Chris Hannah - Chair**

**ALTERNATIVE FUTURES GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 March 2018

	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		£000	£000
<b>Cash flows used in operating activities</b>	<b>20</b>	(329)	(665)
<b>Net cash used in operating activities</b>		(329)	(665)
<b>Investing activities</b>			
Purchase of fixed assets		(1,236)	(3,094)
Purchase of investments		(1,080)	(650)
Proceeds from sale of investments		2,532	1,804
<b>Net cash generated from/ (used in) investing activities</b>		216	(1,940)
<b>Financing activities</b>			
Proceeds of new bank loans		0	2,758
Repayments of bank loans		(340)	0
<b>Net cash (used in)/generated from financing activities</b>		(340)	2,758
<b>Net (decrease) / increase in cash and cash equivalents</b>		(453)	153
<b>Cash and cash equivalents at beginning of year</b>		1,440	1,287
<b>Cash and cash equivalent at end of year</b>		987	1,440
<b>Relating to</b>			
Cash at bank and in hand		987	1,440

# ALTERNATIVE FUTURES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 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 private 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 its subsidiary.

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 group's principal activities are stated in The Report of the Trustees on page 3.

### 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. Rate increases have been achieved consistently over the past two years demonstrating adequate coverage for regulatory cost increases. Alternative Futures Group continues to rationalise activities where appropriate to build 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 Alternative Futures Group Limited and of its subsidiary (i.e. entities that the Group controls through its power to govern the financial and operating policies, so as to obtain economic benefits). All financial statements are made up to 31<sup>st</sup> March 2018. 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 Group 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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 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 charity 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 to 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 INCLUDING GOODWILL AND SOFTWARE

Intangible fixed assets include goodwill and software. Goodwill relates 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. Goodwill has been fully amortised in previous years. Intangible assets also include acquired software costs together with capitalised development expenditure in relation to time costs of individuals working on the design configuration and testing of new software systems. They are amortised over 5 years once the software is available for its intended use which is considered to be appropriate as this is the period over which the software is expected to be used by the charity. The company capitalises development expenditure as an intangible asset when it can demonstrate all of the following;

- (a) The technical feasibility of completing the development so the intangible asset will be available for use.
- (b) The intention to complete the development and use the intangible asset.
- (c) The ability to use the intangible asset
- (d) How the intangible asset will generate future economic benefits
- (e) The availability of adequate technical, financial and other resources to complete the development
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during development

Where these criteria are not met, expenditure is charged to the SOFA as research costs.

#### 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

# **ALTERNATIVE FUTURES GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

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### **ACCOUNTING POLICIES (CONTINUED)**

#### **INVESTMENTS**

Investments including investment property 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 has chosen to apply the provisions of Section 11 Basic Financial Instruments to all of its 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. Investments are valued at fair value through profit or loss.

#### **DEBTORS**

Trade and other debtors are recognised at the settlement amount due after any discount offered. A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms. Impairment losses are recognised in the SOFA. Prepayments are valued at the amount prepaid net of any trade discounts due.

#### **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 not 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 contributions scheme; the amount charged against profits represents the contributions 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.

## **ALTERNATIVE FUTURES GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

#### **ACCOUNTING POLICIES (CONTINUED)**

- 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. 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 on a straight line basis.

#### **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;



## **ALTERNATIVE FUTURES GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

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#### **ACCOUNTING POLICIES (CONTINUED)**

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 £384,000 (2017: £534,000), 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.

Management make judgements on an annual basis on as to whether any properties are impaired. Management have obtained valuations on a number of properties in the year to assess for potential indications of impairment.

The head office property (Lion Court) was revalued below net book value, however given there has been no change in service potential of the building, management have determined that no impairment is required in respect of this property as its value in use to the charity exceeds its valuation.

**ALTERNATIVE FUTURES GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**1 CHARITABLE ACTIVITIES INCOME**

	2018 £000	2017 £000
Supported living services	48,374	48,665
Independent Hospitals	9,686	9,537
Adult Care Homes	0	730
	<u>58,060</u>	<u>58,932</u>

All income in the current and prior year was unrestricted

**2 INVESTMENT INCOME**

	2018 £000	2017 £000
Dividends – UK equity	75	78
Dividends – Overseas equities	47	52
Dividends – other	84	22
Interest – UK fixed interest securities	61	71
Interest on cash deposits	1	2
	<u>268</u>	<u>225</u>

All current and prior year income was unrestricted.

**3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES**

	Direct staff costs £000	Direct other costs £000	Support costs £000	2018 £000	2017 £000
<b>Provision of support and care</b>					
Supported living	41,360	1,011	6,616	48,987	48,851
Independent Hospitals	5,429	3,955	1,297	10,681	9,792
Adult Care Homes	55	79	18	152	722
Adult Care Homes with Nursing	0	65	0	65	34
	<u>46,844</u>	<u>5,110</u>	<u>7,931</u>	<u>59,885</u>	<u>59,399</u>

	Unrestricted £000	Restricted £000	2018 £000	Unrestricted £000	Restricted £000	2017 £000
<b>Provision of support and care</b>						
Supported living	48,985	2	48,987	48,849	2	48,851
Independent Hospitals	10,658	23	10,681	9,769	23	9,792
Adult Care Homes	145	7	152	715	7	722
Adult Care Homes with Nursing	54	11	65	23	11	34
	<u>59,842</u>	<u>43</u>	<u>59,885</u>	<u>59,356</u>	<u>43</u>	<u>59,399</u>
<b>Total charitable activities</b>						

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**4 EXCEPTIONAL ITEM**

One-Time costs incurred due to and arising from Property valuations at 31st March 2018, and redundancy costs following completion of organisational restructure.

	2018 £000	2017 £000
Impairment of properties within Tangible Assets	1,561	0
Staff Costs, including redundancy, taxes and pensions	42	96
Recruitment Fees	0	188
Professional and Consultancy Fees	0	140
Advertising and training costs	0	9
	<u>1,603</u>	<u>433</u>

**5 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS**

	2018 £000	2017 £000
Finance	251	379
Human resources and training	1,427	1,164
Service development	439	542
Information, communication and technology	1,060	839
Executive	3,948	3,569
Premises	806	974
	<u>7,931</u>	<u>7,467</u>

Governance costs include internal audit fees of £86,909 (2017: £36,120) and external audit fees of £49,080 (2017: £38,000), Trustee development £1,935 (2017: £ nil), and Trustee indemnity insurance £7,546 (2017: 8,263). All included within executive costs above.

Staff costs included within support costs amount to £4,708,729 (2017: £4,558,000).

**6 NET EXPENDITURE FOR THE YEAR**

This is stated after charging:

	2018 £000	2017 £000
Operating leases	46	96
Depreciation and amortisation:		
Intangible fixed assets, owned	53	0
Tangible fixed assets, owned	1,267	1,141
Goodwill amortisation	0	262
Bank interest payable on bank loan	94	100
Auditor's remuneration:		
- audit fees	49	38
- consultancy fees	24	19
- accountancy services	2	1
- internal audit fees RSM	87	36
	<u>          </u>	<u>          </u>

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

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

Staff costs during the year were as follows:

	2018	2017
<b>Group</b>	£000	£000
Wages and salaries	47,574	47,650
Social security costs	3,309	3,202
Employer pension costs	671	880
Redundancy payments	42	132
	<u>51,596</u>	<u>51,864</u>

	2018	2017
<b>Company</b>	£000	£000
Wages and salaries	47,535	47,611
Social security costs	3,305	3,198
Other pension costs	669	880
Redundancy payments	42	132
	<u>51,551</u>	<u>51,821</u>

In response to the cost pressures placed upon the organisation and the move to a more local regional approach, a restructuring plan was put in place, under which a number of roles were made redundant giving rise to a £41,906 (2017 £132,000) cost in the year.

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

	2018	2017
	No of employees	
£60,001 to £70,000	2	1
£70,001 to £80,000	1	1
£80,001 to £90,000	1	3
£90,001 to £100,000	2	1
£100,001 to £110,000	0	0
£110,001 to £120,000	0	0
£120,001 to £130,000	0	0
£160,001 to £170,000	0	1
£170,001 to £180,000	1	0
	<u>7</u>	<u>7</u>

The key management personnel of the charity comprise the executive management team and regional directors. Total cost to the charity for employee benefits of the key management personnel of the Trust was £815,192 (2017 £698,121).

# ALTERNATIVE FUTURES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 7 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE KEY MANAGEMENT PERSONNEL (CONTINUED)

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

	2018 £000	2017 £000
Pension contributions to money purchase scheme	667	509
Pension contributions to defined benefit scheme	313	371
	<u>980</u>	<u>880</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:

	2018 No of employees	2017 No of employees
Money Purchase Scheme	1,762	1,715
Defined Benefit Scheme	137	151
	<u>1,899</u>	<u>1,866</u>

During the year five higher paid employees (2017: five) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £38,452 (2017: £39,253).

No higher paid employees (2017: Nil) 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 (2017: £ Nil).

Two of the higher paid employees (2017: two) did not contribute to a pension scheme.

The Chairman received remuneration in the year of £15,000 (2017: £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 (2017: 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 £1,400 (2017: £2,017) were reimbursed to three Trustees in the year.

### 8 STAFF NUMBERS

#### Group

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

	2018 No of employees	2017 No of employees
Care and support staff	2,438	2,522
Management and administration of the charity	10	10
	<u>2,448</u>	<u>2,532</u>

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**8 STAFF NUMBERS(CONTINUED)**

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

	2018	2017
	No of employees.	
Care and support staff	1,935	1,959
Management and administration of the charity	10	10
	1,945	1,969
	1,945	1,969

The care and support staffing numbers relate to Alternative Futures Group Limited and include one (2017: one) member of staff employed by Red Hazels Developments Limited.

**9 INTANGIBLE ASSETS****Group and Company**

	Capitalised development costs £000	Software £000	Goodwill £000	Total £000
<b>Cost</b>				
As at 1 April 2017	0	0	1,300	1,300
Reclassification from tangible fixed assets	0	226	0	226
Additions	450	214	0	664
As at 31 March 2018	450	440	1,300	2,190
	450	440	1,300	2,190
<b>Amortisation</b>				
As at 1 April 2017	0	0	1,300	1,300
Reclassification from tangible fixed assets	0	5	0	5
Provided in the year	0	53	0	53
Disposal	0	0	0	0
As at 31 March 2018	0	58	1,300	1,358
	0	58	1,300	1,358
Net book amount at 31 March 2018	450	382	0	832
	450	382	0	832
Net book amount at 31 March 2017	0	0	0	0
	0	0	0	0

Capitalised development costs relate to the new human resources and payroll systems as they progress through the design, configuration and testing phases. No amortisation has been charged in relation to these assets until they are available for use.

Amortisation charged in the year on software has been recognised within charitable activities expenditure.

**ALTERNATIVE FUTURES GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**10 TANGIBLE FIXED ASSETS**

**Group**

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
<b>Cost</b>			
As at 1 April 2017	27,283	5,590	32,873
Reclassification to intangible fixed assets	0	(226)	(226)
Additions	228	344	572
As at 31 March 2018	<u>27,511</u>	<u>5,708</u>	<u>33,219</u>
<b>Depreciation</b>			
As at 1 April 2017	4,082	3,274	7,356
Reclassification to intangible fixed assets	0	(5)	(5)
Provided in the year	693	574	1,267
Impairment loss	1,561	0	1,561
As at 31 March 2018	<u>6,336</u>	<u>3,843</u>	<u>10,179</u>
Net book amount at 31 March 2018	<u>21,175</u>	<u>1,865</u>	<u>23,040</u>
Net book amount at 31 March 2017	<u>23,201</u>	<u>2,316</u>	<u>25,517</u>

The cost of land held within freehold land and buildings amounts to £5,549,000 (2017: £5,549,000) and is not depreciated.

Included within freehold land and buildings above are 2 properties under long leaseholds of net book value £8,773,340 and associated leasehold improvements on these properties amounting to £298,356.

An impairment loss of £1,561,000 on Land and Buildings was recognised in exceptional items during the period due to a valuation exercise completed during the year end, in relation to a property that has since been vacated.

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.

# ALTERNATIVE FUTURES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 10 TANGIBLE FIXED ASSETS (CONTINUED)

#### Company

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
<b>Cost</b>			
As at 1 April 2017	27,385	5,589	32,974
Reclassification to intangible fixed assets	0	(226)	(226)
Additions	228	344	572
As at 31 March 2018	<u>27,613</u>	<u>5,707</u>	<u>33,320</u>
<b>Depreciation</b>			
As at 1 April 2017	4,082	3,274	7,356
Reclassification to intangible fixed assets	0	(5)	(5)
Provided in the year	693	574	1,267
Impairment	1,561	0	1,561
As at 31 March 2018	<u>6,336</u>	<u>3,843</u>	<u>10,179</u>
Net book amount at 31 March 2018	<u>21,277</u>	<u>1,864</u>	<u>23,141</u>
Net book amount at 31 March 2017	<u>23,303</u>	<u>2,315</u>	<u>25,618</u>

### 11 INVESTMENTS IN SUBSIDIARY

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 :

	2018 £000	2017 £000
Turnover	0	0
Expenditure, including Interest paid and received	57	(104)
Profit/(Loss) for the financial year	57	(104)
Total Assets	0	11
Total (Liabilities)	(105)	(173)
Equity at end of year	(105)	(162)



**ALTERNATIVE FUTURES GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**12 FIXED ASSET INVESTMENTS**

Movement in fixed assets investments

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
Fixed asset investments held for return:	£000	£000	£000	£000
Listed investment	8,826	10,154	8,826	10,154
Investment properties	200	200	200	200
	<u>9,026</u>	<u>10,354</u>	<u>9,026</u>	<u>10,354</u>

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
Listed investments	£000	£000	£000	£000
Fair value brought forward	10,154	9,836	10,154	9,836
Additions to investments at cost	1,080	650	1,080	650
Disposal at carrying value	(2,470)	(1,804)	(2,470)	(1,804)
Changes in fair value	62	1,472	62	1,472
Fair value carried forward	<u>8,826</u>	<u>10,154</u>	<u>8,826</u>	<u>10,154</u>
Historical cost at 31 March	7,100	7,978	7,100	7,978

Investments at fair value comprised:

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
	£000	£000	£000	£000
Equities – UK	2,632	3,206	2,632	3,206
Equities – Overseas	2,365	3,232	2,365	3,232
Fixed interest securities – UK	2,657	3,078	2,657	3,078
Property – UK	672	638	672	638
Cash held for investment	500	0	500	0
Fair value carried forward	<u>8,826</u>	<u>10,154</u>	<u>8,826</u>	<u>10,154</u>

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

	<b>£'000</b>
iShares Index Linked	778
The Charities Property Fund	672
M&G Corporate Bond	667
Artemis Income	639
M&G Charifund	623
Baillie Gifford Corporate Bond	581
Troy Trojan	546
Sararsin Global	514
Baillie Gifford International	503

**ALTERNATIVE FUTURES GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**12 FIXED ASSET INVESTMENTS (CONTINUED)**

Investment properties held at the year-end comprise of The Newlands building valued at £200,000, (2017: £200,000) by GVA commercial property advisory company in June 2016. 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. Trustees are of the opinion that market value of The Newlands has not changed significantly since that date.

**13 STOCK**

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Food products	7	22	7	22
	<u>7</u>	<u>22</u>	<u>7</u>	<u>22</u>

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

**14 DEBTORS**

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	3,681	4,240	3,681	4,230
Amounts owed from group	0	0	0	82
Prepayments	134	658	134	663
Accrued income	1,819	827	1,819	827
Other	9	0	9	0
	<u>5,643</u>	<u>5,725</u>	<u>5,643</u>	<u>5,802</u>

Trade debtors are stated after a bad debt provision of £384,048 (2017: £534,278). The impairment loss in the year has been recognised in charitable activity expenditure.

**15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank loans and overdraft	349	350	349	350
Trade creditors	1,245	897	1,245	898
Accruals and deferred income	2,173	2,895	2,070	2,806
Social security and other taxes	891	880	888	877
Other creditors	291	31	291	31
	<u>4,949</u>	<u>5,053</u>	<u>4,843</u>	<u>4,962</u>

Included in trade creditors is an amount of £108,650 (2017: £105,682) due to pension schemes which was paid subsequent to the year end.

Deferred Income at the end of the year was £381,372 (2017: £657,000) of which £95,125 (2017: £191,000) related to timing of invoices raised around year-end, and the other £286,247 (2017:

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

£466,000) related to invoices in query. Income deferred in the current year was £555,041 and amounts released from prior years was £830,669.

**16 CREDITORS DUE AFTER ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank loan and overdraft	4,335	4,675	4,335	4,675
	<u>4,335</u>	<u>4,675</u>	<u>4,335</u>	<u>4,675</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.

The bank loan carries interest rate at 1.59% above LIBOR, and is being repaid at £85,000 per quarter, with the final balancing payment due in December 2020.

**17 FINANCIAL INSTRUMENTS**

Financial assets:	2018 £000	2017 £000
Debt instruments measured at amortised cost	5,509	5,067
Instruments measured at fair value through profit or loss	9,026	10,354
	<u>14,535</u>	<u>15,421</u>
Financial liabilities:		
Measured at amortised cost	8,012	8,191

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**18 MOVEMENT IN FUNDS****GROUP**

	At 1 April 2017	Income	Expenditure	Gain on investment assets	Pension	At 31 March 2018
	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds:</b>						
Unrestricted funds	31,228	58,328	(61,489)	62	63	28,192
Restricted funds: gifted properties	2,102	0	(43)	0	0	2,059
<b>Total funds</b>	<b>33,330</b>	<b>58,328</b>	<b>(61,532)</b>	<b>62</b>	<b>63</b>	<b>30,251</b>

**COMPANY**

	At 1 April 2017	Income	Expenditure	Gain on investment assets	Pension	At 31 March 2018
	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds:</b>						
Unrestricted funds	31,491	58,331	(61,548)	62	63	28,399
Restricted funds: gifted properties	2,102	0	(43)	0	0	2,059
<b>Total funds</b>	<b>33,593</b>	<b>58,331</b>	<b>(61,591)</b>	<b>62</b>	<b>63</b>	<b>30,458</b>

**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 2018

**18 MOVEMENT IN FUNDS (CONTINUED)****PRIOR YEAR 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
<b>Unrestricted funds:</b>						
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
<b>Total funds</b>	<b>32,693</b>	<b>59,157</b>	<b>(59,886)</b>	<b>1,322</b>	<b>44</b>	<b>33,330</b>

**COMPANY**

	At 1 April 2016	Income	Expenditure	Gain on investment assets	Pension	At 31 March 2017
	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds:</b>						
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
<b>Total funds</b>	<b>32,752</b>	<b>59,284</b>	<b>(59,809)</b>	<b>1,322</b>	<b>44</b>	<b>33,593</b>

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**19 ANALYSIS OF NET ASSETS BETWEEN FUNDS**

Fund balances at 31 March 2018 are represented by:

<b>GROUP</b>	Unrestricted funds	Restricted funds	2018
	£000	£000	£000
Intangible fixed assets	832	0	832
Tangible fixed assets	20,981	2,059	23,040
Investments	9,026	0	9,026
Current assets	6,637	0	6,637
Current liabilities	(4,949)	0	(4,949)
Long term liabilities	(4,335)	0	(4,335)
<b>Net assets</b>	<b>28,192</b>	<b>2,059</b>	<b>30,251</b>
<b>COMPANY</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>2018</b>
	£000	£000	£000
Intangible fixed assets	832	0	832
Tangible fixed assets	21,082	2,059	23,141
Investments	9,026	0	9,026
Current assets	6,637	0	6,637
Current liabilities	(4,843)	0	(4,843)
Long term liabilities	(4,335)	0	(4,335)
<b>Net assets</b>	<b>28,399</b>	<b>2,059</b>	<b>30,458</b>

Fund balances at 31 March 2017 are represented by:

<b>GROUP</b>	Unrestricted funds	Restricted funds	2017
	£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)
<b>Net assets</b>	<b>31,228</b>	<b>2,102</b>	<b>33,330</b>
<b>COMPANY</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>2017</b>
	£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)
<b>Net assets</b>	<b>31,491</b>	<b>2,102</b>	<b>33,593</b>

# ALTERNATIVE FUTURES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

	2018 £000	2017 £000
Net movement in funds	(3,079)	637
Adjustments for:		
(Gains) on investments	(62)	(1,472)
(Gains) on pension	(63)	0
Amortisation charges	53	262
Depreciation charges	1,267	1,141
Impairment of Tangible Fixed Assets	1,561	150
	<u>(323)</u>	<u>718</u>
<b>Movements in working capital:</b>		
Decrease in stock	15	0
Decrease in debtors	82	1,383
(Decrease) in creditors	(103)	(2,766)
	<u>(329)</u>	<u>(665)</u>

### 21 CAPITAL COMMITMENTS

The charity had total capital commitments of £163,554 at 31 March 2018 (2017: £300,455). Capital commitments in respect of intangible assets were £163,554 (2017: £204,000). There were no tangible asset commitments at 31 March 2018 (2017: £96,455).

### 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.

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**22 RETIREMENT BENEFITS (CONTINUED)****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 2018 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.

The Balance Sheet and other disclosures as at 2018 are based on actuarial valuations as at 31 March 2018, and include the pension schemes in aggregate.

*Overall assumptions:*

Key assumptions used:	Total of pension schemes	Total of pension schemes
	2018	2017
	%	%
Discount rate	2.7	2.6
Expected return on plan assets	3.3	3.3
Equities	3.3	3.3
Bonds	3.3	3.3
Property	3.3	3.3
Cash other	3.3	3.3
Rate of inflation	2.1	2.3
Expected rate of salary increases	3.4	3.5
Future pension increases	2.3	2.4

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

	Total of pension schemes	Total of pension schemes
	2018	2017
	Years	Years
Male	22.1	22.3
Female	24.8	24.9

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
	2018	2017
	Years	Years
Male	24.4	24.5
Female	27.1	27.1

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.



**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**22 RETIREMENT BENEFITS (CONTINUED)**

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

	Total of pension schemes 2018 £000	Total of pension schemes 2017 £000
Current service cost	100	81
Interest cost	142	173
Expected return on scheme asset	(165)	(188)
	<u>77</u>	<u>66</u>

Of the charge for the period, a gain of £63,000 (2017: gain of £44,000) has been included in expenditure. Actuarial gains and losses are reported in the statement of financial activities. The gain recognised in 2018 was £258,000 (2017: £263,000 gain).

An additional loss of £195,000 (2017: £219,000 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 £172,000 (2017: £308,000) for Lancashire County Pension Fund and £45,000 (2017: £102,000) 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 2018 £000	Total 2017 £000
Fair value of scheme assets	6,428	6,284
Present value of defined benefit obligations	(5,616)	(5,667)
Asset in scheme	<u>812</u>	<u>617</u>
Asset on Greater Manchester scheme derecognised in year	(213)	(189)
Asset on Lancashire scheme derecognised in year	(599)	(428)
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 2018 £000	Total 2017 £000
At start of period	5,667	4,945
Current service cost	100	81
Interest cost	142	173
Actuarial (gains) and losses	(205)	652
Contributions by plan participants	15	17
Benefits paid	(103)	(201)
At the end of the period	<u>5,616</u>	<u>5,667</u>

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**22 RETIREMENT BENEFITS (CONTINUED)**

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

	Total 2018 £000	Total 2017 £000
At start of period	6,284	5,343
Expected return on scheme assets	165	188
Administrative expenses	(1)	(1)
Actuarial gains	53	915
Employer contributions	15	23
Members contributions	15	17
Benefits paid	(103)	(201)
	<u>6,428</u>	<u>6,284</u>
At the end of the period	<u>6,428</u>	<u>6,284</u>

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 2018

	Total of pension schemes Fair value assets 2018 £000	Total of pension schemes Fair value assets 2017 £000
Equity Instruments	2,187	0
Government bonds	123	97
Other bonds	89	77
Property	463	425
Cash / liquidity	(20)	53
Other assets	2,083	4,176
	<u>4,925</u>	<u>4,828</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.

**ALTERNATIVE FUTURES GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**22 RETIREMENT BENEFITS (CONTINUED)**

Asset class Investment return as at 31 March 2018

	Total of pension schemes Fair value assets 2018 £000	Total of pension schemes Fair value assets 2017 £000
Equity Instruments	993	1,092
Government bonds	240	233
Other bonds	0	0
Property	105	73
Cash / liquidity	165	58
Other assets	0	0
	<u>1,503</u>	<u>1,456</u>

The history of experience adjustments is as follows:

	Total of pension schemes 2018 £000	Total of pension schemes 2017 £000	Total of pension schemes 2016 £000	Total of pension schemes 2015 £000	Total of pension schemes 2014 £000
Present value of defined benefit obligations	(5,616)	(5,667)	(4,945)	(5,143)	(4,151)
Fair value of scheme assets	6,428	6,284	5,343	5,205	4,689
surplus / (deficit) in scheme	812	617	398	62	538
Experience adjustments on scheme liabilities	0	352	6	6	549
Experience adjustments on scheme assets	0	106	177	291	177

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2019 are £Nil (2018: £ Nil) in respect of Lancashire County Pension Fund and £15,000 (2018: £16,000) in respect of Greater Manchester Pension Fund.

**23 LEASING COMMITMENTS**

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

	Group		Company	
	2018 £	2017 £000	2018 £	2017 £000
Within one year	176	163	176	163
Between two and five years	298	349	298	349
After five years	3	10	3	10
	<u>477</u>	<u>522</u>	<u>477</u>	<u>522</u>

## **ALTERNATIVE FUTURES GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

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#### **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 2018, the company had 10 members (2017: 10).

#### **26 CONTINGENT LIABILITIES**

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 Court of Appeal outcome on sleep-ins in July 2018 has decided in favour of Mencap that it is only time spent awake and working which is counted as working time during a sleep in. Hence no additional liability has been recognised in relation to the above in these financial statements.

The group is aware of a potential obligation related to two 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 £35,648.

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

#### **27 RELATED PARTY TRANSACTIONS**

There have been no related party transactions in the period other than trustee remuneration and expenses, as disclosed in Note 7.