Company No: 02679915
Charity No: 1008587

ALTERNATIVE
FUTURES GROUP

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDING
31 MARCH 2019

Contents

This has been another busy and challenging year for the Alternative Futures Group. The on-going funding issues presented by the adult social care sector in the UK have led to several years of significant operating deficits for our organisation, and subsequent erosion in our charitable reserves. The Board of Trustees are facing these challenges head on, and we recognise that a step change is required in the way we operate so we can sustain the legacy of AFG for the future.

This will not affect in any way the amazing care and support that our amazing staff provide each and every day, but it does mean changing the way we are structured, reviewing our cost base, and looking at how we cost, sell and organise our services, to protect our charitable offer for the future.

During the last year, the Trustees have responded to the critical financial challenges within our sector by developing the foundations of a new way of working that will enable the organisation to meet the longer-term challenges and be ready to take the opportunities presented. Ahead of the development of our new 5-year strategy for 2020-2025, on which the Board has started to work, we have developed a plan for 2019/20 which will standardise, optimise and streamline our operations. The 2019/20 plan essentially represents Year Zero of our 5 Year Strategy.

Following the sad and sudden passing away of our former Chief Executive, Neil Campbell, during the year, I am pleased that the Board has been able to promote Ian Pritchard to continue the outstanding work that Neil carried out on behalf of the Group. Ian was formerly our Director of Corporate and Commercial Development.

There have also been changes in the Executive Team structure to help us to deliver our future goals and new ways of working, with key Executive appointments in Finance & Performance, Learning Disabilities and Mental Health.

Despite our financial challenges, AFG remains financially secure, is asset strong, and has proved itself to be highly resilient operationally. Reputationally, we have many loyal commissioners, people who we support and their families who value our services, see us as trusted partners and like the way we do business and conduct ourselves.

We are very fortunate to have a highly-dedicated, loyal and talented workforce that believes and lives the organisations values and shares its vision, and I am immensely proud of the great work that our teams do every day.

Over the last four years, because the funding that we receive for sleep-in shifts has not kept pace with statutory increases in the cost of the National Living Wage, AFG has subsidised sleep-in payments to staff by around £8m – this is clearly not sustainable. During the year, to protect our financial viability, the Trustees had to take the very difficult decision to reduce the amount that we pay to staff for sleep-in shifts – the amounts paid to staff reduced on a phased basis from January 2019, and from April 2019 the payments now reflect the amount we receive from commissioners, less our costs. We realise that sleep-in shifts are a vital part of the service that AFG provides, and reducing the payments to staff takes money out of their pockets, but until we start to see increased sleep-in payments from our commissioners, we've had to take this very difficult decision to protect the future of the charity.

The Board regrets that our decision resulted in a dispute with the Trade Union, and that a small number of our staff chose to take industrial action, but I also want to acknowledge the fantastic effort made by our amazing teams to ensure all shifts were covered during the dispute - the stories of teams going the extra mile to protect the people we support demonstrates the flexibility and commitment of our people.

My thanks also go to my colleagues on the Board, whose experience and dedication helps us to continue to lead the business through its current and future challenges.

Special thanks of course go to the amazing people that we continue to support on a daily basis, they continue to be at the heart of everything that we do and remain at the forefront of our mission and vision for the future.

With these enviable ingredients, in combination with a well-formulated and executed strategic plan, I believe the organisation has the foundations to create a financially-sustainable and successful future for 'Our Amazing People, doing Amazing Things'.

C Hannah

Chris Hannah
Chair of Alternative Futures Group

Trustees:

Trustee	Position	Changes in the Year
Chris Hannah	Chair of the Board	
Andrew Lomas	Vice-Chair of the Board, and Chair of Appointments & Remuneration Committee	Resigned 10 September 2019
Iain Bell	Chair of Audit & Risk Committee	
Jonathan Lloyd	Chair of Performance Committee	
Michael Parkinson		Resigned 23 October 2019
Mike Clarke	Chair of Red Hazels Developments Limited	
Daniel Chaffer		
Jane McDonald		
Linda Whalley		
Janet Wilkinson		

Executive Officers:

Executive Officer	Position	Changes in the Year
Neil Campbell	Chief Executive Officer	To 9 September 2018
Ian Pritchard	Chief Executive Officer	Interim from 1 October 2018 Permanent from 1 April 2019
Ian Pritchard	Director of Corporate & Commercial Development	To 30 September 2018
Kirsty Muldoon	Director of People & Organisational Development	
Mark Rees	Director of Finance	To 16 January 2019
Mark Bradshaw	Director of Finance & Performance	From 11 December 2018 to 12 September 2019
Phillip Saxton	Director of Finance & Performance (Interim)	From 2 September 2019
Mike Smith	Director of Quality & Performance	To 31 March 2019
Andrew Gray	Director of Group Operations	To 31 January 2019
Steven Porter	Director of Learning Disability	From 8 April 2019
Christopher Hughes	Director of Mental Health	From 23 April 2019
Adrian Yates	Director of Corporate & Commercial Development (Interim)	From 7 January 2019

Company Information and Advisors:

Company Registration Numbers:	02679915 Companies House 1008587 Charity Commission
Registered and Principal Office:	Lion Court Kings Business Park Prescot Knowsley Merseyside L34 1BN
External and Internal Auditors:	RSM UK Audit LLP 20 Chapel Street Liverpool L3 9AG
Investment Advisors:	Stanhope Consulting 35 Portman Square London W1H 6LR

Company Information and Advisors (continued):

Bankers:	HSBC Bank plc 99-101 Lord Street Liverpool L2 6PG	Barclays Unit 3 Riverside 2, Campbell Road, Stoke on Trent, Staffordshire. ST4 4RJ	
Principal Solicitors:	DWF 1 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

The Trustees of Alternative Futures Group (AFG) present their report and audited financial statements for the year ended 31 March 2019. The Trustees have prepared this report under the Companies Act 2006, and in accordance with Financial Reporting Standard 102 (FRS 102) as applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with FRS102.

Legal status
Alternative Futures Limited was founded in 1992 and changed its name to Alternative Futures Group Limited (AFG) in 2007.

During the year the Group consisted of two legal entities:

- Alternative Futures Group Limited - a company limited by guarantee (Company Registration Number 02679915), a registered charity (Charity Commission Number 1008587), and a Public Benefit entity. AFG is governed by its Articles of Association, which were last amended in May 2014.
- Red Hazels Developments Limited, a private limited company limited by shares (Company Registration Number 09498298), founded in 2015 as a wholly owned subsidiary of AFG to deliver commercial activities.

The Directors of AFG are its Trustees for the purposes of charity law, and throughout this report they are collectively referred to as the Trustees. The Trustees who served throughout the year and up to the date of signing this report are listed on page 3.

Charitable Purpose
AFG's charitable purpose is to offer relief to people with learning disabilities, mental health or any other special needs, and to relieve the stresses and financial needs through, but not limited to, the provision of accommodation, support, education and training.

Each year, the Trustees lead a 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 purpose.

Corporate Plan: Mission, Values and objectives
AFG is one of the leading charitable providers of learning disability and mental health support services in the North West of England, changing lives and creating independence for the people it supports. We are proud that our accommodation and services improve the quality of life and independence for some 1,200 people.

Our Vision:	A world where people control their lives	
Our Mission:	Together with our people and partners we will unlock skills, gifts and talents to support everyone's right to choose and achieve their aspirations	
Our Values:	We are one	We succeed together with a shared purpose and vision.
	We raise the bar	We learn from the past, are adaptive and excited by our future. We innovate and lead the way. We strive for best quality with least waste. Better never stops.
	Every person matters	We are people focused and value skills, gifts and potential. We listen. How people think and feel, matters. Everyone has a voice.

	We make a positive difference	We change lives. Our 'can do' attitude and passion enables people to be the best they can be.
	We take ownership	We do the right thing, are solution focused and get results. We are responsible for our behaviour and hold each other to account.

How we deliver our Mission and Vision is underpinned by our Values, which were refreshed and re-launched during 2018 following consultation with our staff and the people we support. Our new values act as our organisational compass, everybody within AFG strives to demonstrate these values every day, and in everything that we do.

Principal Activities
AFG is a not-for-profit, trading charity that provides a broad range of care and support services for; (1) adults with learning disabilities, autism, acquired brain injury; (2) adults with a mental health treatment and rehabilitation need.

For learning disabilities, autism and acquired brain injury, our services cover a wide-range of supported living and outreach services to enable the people we support to live their lives to the maximum levels of independence and control they can achieve.

For mental health, our services extend from short-term clinical rehabilitation support to people with long-term mental health issues in our seven independent hospitals, through to outreach services, which enable people to move up and down that pathway as their support needs change. Our offer enables us to provide a wide-ranging service through a number of interventions on that pathway, including supported living (supporting people in their own homes to access their community and maintain their independence), and a range of other community models.

Person-centred care is at the core 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 evolve as the support needs grow and change.

During 2018/19, our non-residential care activity was wholly funded through contracts with Local Authorities, and our residential care activity was wholly funded through contracts with the NHS.

In March 2018, the Board approved an Annual Plan for 2018/19 which set out the key aims and objectives for the year, and the strategy for achieving them. The Board continues to focus on strengthening the organisation financially and providing high quality services.

Red Hazels has been used primarily as a Property Company since its inception in 2015, to develop Tesito House, a Treatment & Recovery Centre in Manchester. Tesito House completed in 2017, and was subsequently transferred to AFG. Since then Red Hazels has been in a progressive dormant state with minimal financial transactions, and it is anticipated the company will be rendered fully dormant in 2019/20.

Public Benefit
Alternative Futures Group is a Public Benefit Entity. In accordance with our objectives and activities for 2018/19, and with due regard to the Charity Commission's guidance on the operation of the public benefit requirement of the Charities Act 2011, the Trustees confirm that AFG has undertaken appropriate activities during the year which further our purpose for the public benefit, which are set out in the Principal Activities section above.

Governance Structure
The Board is led by the Chair, Chris Hannah. The Board membership, which is detailed on page 2, previously consisted of 10 independent members but reduced to 9 in September 2019 when Andrew Lomas resigned. Together, the Board bring a range of professional, commercial and sector expertise to the organisation.

The Board is responsible for determining the strategic direction and reviewing its operating and financial position. The Board is also responsible for establishing and overseeing the Group's control and risk management frameworks and ensuring the Group achieves its aims and objectives. The Board meets formally at least five times a year.

Under the Articles of Association, Trustees serve a term of up to three years, and may be considered for a maximum of three terms. The Chair may serve a maximum of two terms of office. A skills analysis of Board Members has been undertaken, and each time a Board vacancy arises, consideration is given to the skills and competencies required to continue to manage the future risks and challenges that the organisation faces.

Trustee recruitment is led by the Appointments Committee, which is chaired by Janet Wilkinson on an interim basis. Trustee recruitment is supported by independent specialists where required. New Trustees receive an induction and training programme tailored to their needs, and regular Board development events are held to maintain skills. Annual assessments of performance for the Board, the Committees and individual Trustees are led by the Chair.

The subsidiary, Red Hazels, has 2 Board Members, Mike Clarke (Chair), and the Chief Executive, Ian Pritchard.

Board and Executive Officers Remuneration
The Chair of the Board receives remuneration from the Group, as well as reimbursement of expenses incurred. The remaining Trustees receive reimbursement of expenses incurred. The Chair's remuneration is based on independent national and sector benchmarking and is approved by the Remuneration Committee.

The remuneration of the Executive Officers is determined by the Board.

Board Committees
The Board delegates some of its responsibilities to the Committees; Audit and Risk Committee, Performance Committee, Appointments Committee & Remuneration Committee.

<u>Audit & Risk Committee</u>
The Audit and Risk Committee met four times during the year and its work included:

- reviewing the external auditor's plans for the audit of the Group's financial statements;
- reviewing the external auditor's management report and audit highlights memorandum;
- reviewing the financial statements for the year;
- agreeing the internal audit plan for the year and reviewing reports from the internal auditors on the Group's system of internal control, monitoring and responding to those reports and compliance with recommendations; and
- reviewing the processes in place for monitoring, evaluating and managing the risks facing the Group, including deep-dive discussions relating to the Group's strategic risks.

<u>Performance Committee</u>
The Performance Committee met five times during the year and its work included gaining assurance on:

- all aspects of financial and operational performance compared to the strategic business plan;
- quality compliance of the services provided to service users; and
- treasury management and investment performance, including loan covenant compliance.

<u>Appointments Committee</u>
The Appointments & Remuneration Committee met two times during the year, and is responsible for:

- Trustee succession planning and recruitment;
- identifying, approving and appointing the Chair and Members for each committee.

Remuneration Committee

The Remuneration Committee met two times during the year, and is responsible for:

- recommending to the Board the Group's pay framework; and
- recommending the terms and conditions of employment for the Group Chief Executive and the Executive Directors, and their annual salary review.

Salaries for Executive Officers are set having regard to each director's responsibilities and pay levels for comparable corporate positions.

Governance Code
The Board has adopted the principles of the Charity Code of Governance, and will be conducting a self-assessment against the code during 2020/21.

Employees
The strength of the Group, and its ability to meet its corporate objectives and its commitments to customers lies in the quality, commitment and contribution of its employees. We actively encourage the involvement of employees in our decision-making process, and to do that we have an elected Employee Partnership Forum (EPF), which is jointly chaired by the CEO and a staff representative. The EPF is the formal staff negotiating and consultative body for all employee-related matters, and includes representatives from recognised Trade Unions, Unison and the Royal College of Nursing.

We provide information to our employees throughout the year on AFG's objectives, progress and activities through regular team meetings, and briefings from the Chief Executive and the Executive Team. We have a People & Organisational Development Strategy in place, which recognises the importance and contribution of the employees to the on-going success of the Group.

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has detailed health and safety policies and a robust safety management system in place, and provides training and education to all of our staff on health and safety matters appropriate to their role.

The Executive Team, led by the Chief Executive, are responsible for the day-to-day running of the business. The Executive Team work closely with the Board to develop and execute the Group's strategic objectives. The members of the Executive Team are shown on page 3.

Neil Campbell (Chief Executive) passed away during the year, and Ian Pritchard was promoted to Chief Executive from his previous role of Director of Corporate & Commercial Development.

Mark Rees (Director of Finance), Mike Smith (Director of Quality & Performance) and Andrew Gray (Director of Operations) resigned during the year.

The Board approved a new operating model during the year, which moved from the old regional model to a divisional model (i.e. Learning Disability Division and Mental Health Division). The Executive Team structure was also updated during the year to support the new ways of working. The resignations outlined above, and the new Executive structure, resulted in the appointment of Mark Bradshaw (Director of Finance & Performance), Steven Porter (Director of Learning Disabilities) and Christopher Hughes (Director of Mental Health) being appointed. Mark Bradshaw (Director of Finance & Performance) resigned in September 2019.

The Director of People & Organisational Development served throughout the year.

Equality and Diversity
We are committed to equality of opportunity for all employees, and to having a diverse workforce that reflects the communities within which we operate. We are also committed to supporting disabled people, both in recruitment and in retention of employees who become disabled whilst employed by the Group.

The Group ensures that staff recruitment, discipline and development issues are dealt with equally and that all employees are treated in the same way.

Environmental and Social Impact
AFG takes 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 Charitable Purpose, alongside our Vision, Mission and Values, evidence our position as a values-led organisation and a responsible employer within the communities we work. This is underpinned by our approach to service delivery, service development, and performance improvement. In addition we continue to develop engagement strategies with all our stakeholders, particularly our local communities, to increase capacity and social impact and to support communities to sustain them.

Related Parties and Co-Operation with Other Organisations
Other than the Chair, the Trustees do not receive remuneration from their work with AFG. Remuneration for the Chair was agreed with the Charity Commission in 2011. The remuneration of the Chair is considered annually by the Appointments and Remuneration Committee. Details of the Chair's remuneration are set out in note 7. There were no other transactions with Trustees, and no connections between Trustees and 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 AFG and in the community. Service User engagement is led by our local managers, who seek advice from local groups on how to increase their involvement and as well as exploring new methods of seeking feedback.
The Service User Representative Forum (SURF) was established some years ago to ensure the views and opinions of the people we support are taken into account in the way our services are delivered.

Internal Control Assurance
The Board acknowledges its overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. This responsibility applies to all of the organisations within the Group.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls, which are embedded within the day to day management and governance processes. This approach includes the regular evaluation of the nature and extent of the risks to which the Group is exposed.

A process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the year up to the date of the approval of the annual report and financial statements. The Audit & Risk Committee regularly receives and considers reports from the Group's senior leadership and its auditors about risk management and internal control arrangements.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, are set out below.

Corporate Planning and Budgeting
The corporate planning and budgeting process is used to set objectives, agree action plans and allocate resources. The Group's progress towards meeting the strategic and annual objectives is monitored monthly by the Executive Team and quarterly by the Performance Committee and the Board.

The Group's annual budget was approved by the Board prior to the start of the 2018/19 financial year.

Audit & Risk Committee

The Audit & Risk Committee reports to the Board on internal controls and alerts them to any emerging issues. The Audit & Risk Committee ensures that corrective action is taken in relation to any significant control issues highlighted by the internal and external auditors. As part of its review of the organisation's internal control system, the Committee oversees the performance of the internal and external auditors. The Audit and Risk Committee provides advice to the Board and provides an annual review to them, through the internal auditors, which focusses on the effectiveness of the internal control system, including the Group's systems for managing risk.

Internal Audit Programme

Internal Audit is an important element of the internal controls process. Internal Audit is responsible for the annual review of the effectiveness of the internal control system within the organisation.

RSM Risk Assurance Services LLP were appointed as the Group's Internal Auditors from 14 June 2017 for a three-year period on an agreed upon procedures basis. The internal audit programme for 2018/19 generated recommendations for action, which have helped the Group to improve its internal control environment.

External Audit

External Audit provides feedback to the Board on the operation of the internal financial controls reviewed as part of the annual audit of the year-end accounts and financial statements. Each year, after the year-end audit, a management letter is presented to the Board.

At every Board and Committee meeting, reports outlining the latest operational and financial results compared to the target for the year, and statutory compliance reports, are presented to enable the Board to maintain oversight of the Group's strategic performance and on-going compliance.

STRATEGIC REPORT

Achievements, Performance & Public Benefit

During 2018/19 we have continued our focus on the key strategic objectives of:

- Financial stability and sustainability; and
- Business development and growth.

The Board continues to focus on strengthening the organisation financially and providing high quality services.

Financial stability
An overview of the financial performance of the individual entities is provided below:

- Alternative Futures Group Limited achieved a deficit for the year, after interest and tax, of £4.61m (2018: £3.08m);
- Red Hazels Developments Limited made a deficit of £726 (2018: £57,043 profit);
- Overall, the Group's reserves amount to £25.6m (2018: £30.3m).

The amounts in the remainder of this section relate to the consolidated Group position only.

Operating performance
The Group's operating margin for the year was -7.7% (2018: -5.4%), resulting in a deficit for the year of £4.6m (2018: £3.1m). The recurring deficit provides an indication of the on-going challenges of the social care sector in the UK, which continues to go through a period of sustained austerity, alongside an increasing cost base driven primarily by above inflation increases to National Living Wage. The key challenges that the Trustees have faced during the year include:

- maintaining income from our commissioners at a level which is sufficient to cover the increasing statutory costs of the National Living Wage;
- continued uncertainty around staff payments for sleep-ins - the Supreme Court announced during the year that it will hear an appeal against the Mencap v Unison ruling, which is now expected to be heard in 2020;
- achieving full occupancy of Tesito House, our Treatment & Recovery Centre in Manchester, which continued to operate at a deficit during the year.

The Trustees have tackled these issues head on. During the year we have:

- Moved to a divisional operating model.
- developed a transparent cost model for the delivery of our services, which we are sharing with commissioners to increase their understanding of the income levels that we require to provide high-quality care;
- conducted a contract viability review to understand where we need to focus our attention - we will be sharing this information with our commissioners during the next round of contract negotiations, which may result in AFG having to withdraw from contracts which we are unable to sustain;
- temporarily closed Tesito House so we can reduce the financial losses whilst developing a viable delivery model with the commissioners in Manchester;
- moved to variable sleep-in rates for staff – since January 2019 we have reduced the amounts that we pay to our staff for sleep-in shifts to be commensurate with the income that we receive from each commissioner; and
- developed a cost saving and efficiency plan to protect our financial stability and support our competitiveness in the market

The actions outlined above will maintain the financial viability of AFG and enable the organisation to continue to provide care for the people that we support. Although we are still forecasting a deficit in 2019/20, mainly due to the timing of the savings and efficiency agenda, we expect to return to a surplus in 2020/21, and continue that upward trend into 2021/22 and beyond, starting to replenish our reserves back to the levels seen in previous years.

Quality remains a key priority for the Board, and we are pleased to report that we have maintained strong performance against the Care Quality Commission (CQC) standards across all of our open Treatment & Recovery Centers.

Business Development and Growth

During the year we have further developed the AFG offer, which will be used to launch our growth strategy in 2019/20 to provide additional penetration into our key markets of mental health and learning disability services.

We continued to respond to the Transforming Care agenda with our key local authority partners, which will see AFG provide services for some of the highest need individuals in a community setting. During 2018/19 we started to develop Naylorsfield and Hartsbourne House, an 8-bed service in Liverpool, which opened in June 2019.

We also continued to deliver our Digital Strategy, including:

- embedding our electronic rota planning system and using the data intelligently to improve our services and reduce our costs;
- introduced an electronic staff recruitment system in September 2018, which will significantly reduce the time taken to recruit new staff; and
- introduced our new HR and Payroll System, which went live on 1 April 2019.

The Digital Strategy delivery plan for 2019/20 will see the initiation of projects to implement:

- a replacement Finance & Procurement system;
- a new Care Management system; and
- a new Care Compliance system

The Digital Strategy will result in the continued modernisation of AFG's systems and processes, extending our reach to front line services with more real time management information.

Financial Review and Results

An overview of the financial performance of the Group is included within the financial stability section above.

Defined Benefit Pension Funds
The Lancashire County Pension Fund Defined Benefit and the Greater Manchester Pension Fund Defined Benefit scheme reported a pension asset of £900k at 31 March 2019, 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 £132k and the movement in the derecognised asset of £88k are both shown through other gains and losses on the face of the consolidated statement of financial activities.

Treasury Management
The Group has a loan in place from Barclays. At the end of the financial year the total borrowings were £3.343m (2018: £4.684m). There were £1.341m of loan repayments made during the year (2018: £0.340m), in line with the repayment profile for the loan plus an additional £1m repaid out of proceeds of property disposal. The Group borrows only in sterling and does not have any currency risk.

Surplus cash is invested across a diversified portfolio of investments. At the end of the year the total investments amounted to £6.951m, with an unrealised loss on investment of £0.386m during the year, offset by realised gains of £0.489m. The funds held in investments are used to further the charitable purpose and public benefit. The return on investment was £0.249m (excluding cash) for the year.

The Trustees are satisfied that the investment assets attributable to each of its individual funds are available and adequate to fulfil its obligations in relation to those funds.

Cash flows
Cash inflows and outflows for the year are set out in the cash flow statement. Net cash outflows from operating activities are from the delivery of our core services, and amounted to (£2.032m) (2018: £0.266m). The movement on financing activities on page 24 show the repayment of loans which amounted to £1.3m (2018: £0.3m). The Group's cash balances, at the end of the financial year was £1.562m (2018: £0.987m).

The Group ended the year with net current assets of £2.235m (2018: £1.688m).

Impairment
The closure of Tesito House during the year, as outlined above, and the unknown future of the property, resulted in a vacant possession valuation being obtained. The valuation is £1.612m below the net book value, therefore an impairment charge of £1.612m has been made and charged to the SOFA in the year, included within exceptional items (see note 4).

Property Disposal
Abbey Court, a Treatment and Recovery Centre in Cheshire, was closed in 2017. The property was sold during the year, realising sales proceeds of £1.5m, and an exceptional surplus on disposal of £0.063m, which is included in the SOFA as an exceptional item in the year.

Achievement against 2018/19 Financial Key Performance Indicators
The key financial performance indicators for the year and targets for 19/20 are set out below

KPI	**Target 2018/19**	**Actual 2018/19**	**Commentary**
Debtor Days	< 30	32	Marginally above the target due to payment delays from commissioners
Creditor Days	> 30	41	Target achieved
Liquid Reserves (£M)	> £5.2m	£6.4m	Target achieved
Investment Income return (%)	3%	3.80%	Target achieved
Investments Fund Growth	3%	1.07%	Below the target due to investment porfolio performance during the year
Gearing	< 35%	13%	Target achieved

The above financial KPI's are reported monthly as part of the monthly treasury report. They are also issued to HSBC and Barclays banks and reviewed by the performance committee and trustees on a quarterly basis.

Achievement against 2018/19 Non-Financial Key Performance Indicators

The key non-financial performance indicators for the year, and targets for 2019/20, are set out below:

KPI	2018/19 Target	2018/19 Actual
Number People we Support in Supported Living	1050	1207
Employee Opinion Survey Response Rate	55%	53%
All our services being rated as 'good' or 'outstanding' by CQC.	100%	90.9% (10/11)

Assets held on behalf of People that we Support

AFG has corporate appointeeship responsibility for administering the personal funds of a number of people that we support. The appointeeship enables AFG to assist the people that we support with their financial planning and budgeting, supporting them to plan their own spending and living expenses, and helping them to claim the state benefits to which they are entitled.

At 31 March 2019, AFG held funds of £15,897 (2018: £26,198) of personal monies on behalf of people that we support, which are included in the balance sheet, and in note 15.

Investments Policy and Performance

Under the Memorandum and Articles of Association, the Trustees are able to make any investments which they deem appropriate. Trustees appoint a qualified investment advisor to support their investment decisions, and the Performance Committee reviews the Group's Investment Policy annually. The Performance Committee have restricted investment into property and hedge funds each to 6% of the portfolio, and do not allow investment into private equities or commodities to minimise 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 3.8% (2018:3.6%) achieved for the financial year. All investments have been made within the agreed policy.

Reserves Policy and Performance

Total funds held amount to £25,646k of which £1,577k is restricted, with the remaining £24,069k unrestricted. To establish an appropriate level of working capital, and to protect the future operations of the organisation from the effects of any unforeseen variations, the Board holds free reserves in its unrestricted funds. The level of reserves is monitored by the Trustees throughout the year, and the Trustees review the Group's Reserves Policy annually. Funds held in reserves not required for immediate use are invested in line with the Group's Investment Policy.

The Reserves Policy sets a minimum target of free reserves equivalent to £5.2m, which is based on the Board's assessment of the level of reserves required to off-set significant payment delays from commissioners, and the potential loss of a significant contract. The level of free reserves at the end of the year was £6.4m which is above the minimum requirement, so the 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.

Principal Risks and Uncertainties

The main factors and influences that will have an effect on the future performance of the Group are considered regularly by the Executive Team and the Board. Those events or risks that could prevent the strategic objectives from being achieved are recorded and monitored for each area of the business.

The key controls required to manage each risk, together with the person responsible for the control are also recorded. The risks are then assessed according to the probability of the risk occurring and the potential impact given the current control environment. The key risks monitored by the Board are shown below.

Strategic Risk	Mitigating Actions being taken
Government policy does not provide adequate funding for Adult Social Care & Learning Disabilities. AFG contracts become financially unsustainable to provide quality care.	• Maintain a firm and proactive approach to fee negotiations with our commissioners • In July 2019 the Board agreed a Contract Viability process to retrench from any financially unsustainable contracts. • A 3-year cost reduction programme is underway to improve financial sustainability and market competitiveness
AFG's clinical and care governance arrangements are not sufficient to achieve a minimum 'Good' CQC rating across all of the services provided	• As at 31 March 2019 90.9% of AFG services have achieved a minimum of good CQC rating. • An independent review of AFG Clinical and Care Governance arrangements was undertaken in May 2019, which identified a number of areas of good practice and a number of areas for improvement. An action plan has been agreed by trustees to address the areas for improvement and further enhance our Clinical and Care Governance arrangements.
The Supreme Court over-turns the Mencap vs Unison Sleep-In ruling, which leads to a back-pay liability of circa £2m (from January 2019 to March 2020), and on-going funding/viability issues for sleep-in shifts	• Partial mitigation with move to paying Support Workers variable rates for sleep-in shifts from April 2019 (Support Workers receive the amount paid by the commissioner, less AFG's costs); and • AFG to write to commissioners to request commissioner provision is made for back-pay liability. • AFG Reserves Policy reflects the potential liability for back-dated sleep-in payments where not recoverable.
No Deal Brexit adversely impacts labour market. Also delays in medication supplies to people we support meaning additional support measures by AFG to keep people safe.	• AFG employ low numbers of EU staff (<1%), so negligible impact on workforce anticipated. • AFG does not prescribe medication directly for the people who we support. Government contingency plans already in place for NHS medication supply chain. • Maintain a watching brief on the Brexit outcomes, and adjust our plans accordingly if required.

Fraud
The Group has a clear anti-fraud policy that has been approved by the Board. The policy requires a register to be maintained of all actual and attempted fraud. All such cases are reported to the Board through the Audit and Risk Committee. There were no reported instances of fraud during the year.

Directors' and Officers' Liability Insurance
The Group has insurance policies in place which indemnify its Board members and Executive Officers against liability when acting on behalf of the Group.

Future Plans - Our 2019/20 Objectives
During 2018/19, the Trustees and the Executive Team started to develop a new Corporate Strategy for 2020 to 2025, which is expected to be launched in early 2020. Alongside the 5-year strategy, the Trustees have developed an annual Business Plan for 2019/20, which represents Year 0 of the 5-year strategy.

The plan for 2019/20 outlines the urgent and important need to standardise, optimise and streamline our operations as well as respond to the critical financial challenges within our marketplace - over recent years AFG has suffered significant operating deficits, mainly due to the annual income increases from our commissioners not keeping pace with the increases in the National Minimum Wage (staff paid on National Minimum wage accounts for around 80% of AFG's total cost base). The 2019/20 Business Plan will begin to build the foundations of a new mindset, cultural blueprint and way of working for the organisation that will enable AFG to navigate the longer-term challenges and opportunities.

Our over-arching aim for 2019/20 is to ensure that the business is standardised, optimised and prepared so it is in the best shape possible to implement the 5-year strategy from April 2020. To achieve this, we have created seven Critical Success Factors that the organisation must deliver on, which are to:

1. exceed our budget and in-year growth targets;
2. reduce our operating costs and optimise the business;
3. standardise our operating model and the service proposition;
4. re-define and strengthen the quality of our offer;
5. develop our brand and external relationships;
6. expedite our digital ambitions; and
7. continue to attract, develop and retain an engaged workforce.

The 2019/20 plan sets challenging but achievable financial targets, which will see AFG return to a trading surplus from 2020/21 by reducing operating costs, reviewing the viability of existing contracts, focussing on core services, and business growth.

Auditors
A resolution to re-appoint RSM UK Audit LLP as the Group's external auditors for 2019/20 will be proposed at the Board Meeting on 23 October 2019.

Going Concern
AFG has contracts in place with commissioners to secure the necessary income and cash flows for the foreseeable future. The 3-year budget that has been developed for the period 2019/20 to 2021/22, and the associated cost reduction and rationalisation programme, will see the organisation return to surplus in 2020/21, so the Board confirms it has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the Group and company financial statements.

Statement of Trustees Responsibilities.
The Trustees, as the Directors of AFG, are responsible for preparing the Trustees' Annual Report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and charitable company and of the incoming resources and application of resources, including the income and expenditure of the group 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.

The Report of the Trustees which also contains a directors' report as required by company law and the incorporated Strategic Report was approved on 8 November 2019 and signed on its behalf by:

CHannah

Chris Hannah
Chair - Alternative Futures Group
8 November 2019

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 31st March 2019, which comprise the consolidated Statement of Financial Activities (including the Consolidated Summary Income and Expenditure Account), the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated 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 2019 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.

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 Report of the Trustees which includes the Directors' Report and the Strategic Report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report included within the Report of the Trustees 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 Directors' Report or the Strategic Report included within the Report of the Trustees.

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 18, 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.

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
14th Floor
20 Chapel Street
Liverpool
L3 9AG

Date: 11/12/19

Alternative Futures Group Limited
Consolidated Statement of Financial Activities (including Consolidated Income & Expenditure Account)
For the year ended 31 March 2019

	Note	Unrestricted funds £000	Restricted funds £000	Total 2019 £000	Unrestricted funds £000	Restricted funds £000	Total 2018 £000
Income							
Charitable activities	1	59,953	0	59,953	58,060	0	58,060
Investments	2	249	0	249	268	0	268
Total income		**60,202**	**0**	**60,202**	**58,328**	**0**	**58,328**
Expenditure on:							
Charitable activities (including exceptional costs amounting to £1,579,000 (2018 £1,603,000))	3 & 4	64,877	43	64,920	61,445	43	61,488
Raising funds		34	0	34	44	0	44
Total expenditure		**64,911**	**43**	**64,954**	**61,489**	**43**	**61,532**
Net gain on investments	12	103	0	103	62	0	62
Net(expense)		**(4,606)**	**(43)**	**(4,649)**	**(3,099)**	**(43)**	**(3,142)**
Transfers							
Gross transfers between funds		439	(439)	0	0	0	0
Net (expenses)/ income before other recognised gains and losses		(4,167)	(482)	(4,649)	(3,099)	(43)	(3,142)
Other recognised gains /(losses)							
Actuarial gain on defined benefit pension scheme	22	132	0	132	258	0	258
Movement in pension scheme asset derecognised	22	(88)	0	(88)	(195)	0	(195)
Total other recognised gains and (losses)		**44**	**0**	**44**	**63**	**0**	**63**
Net movement in funds		(4,123)	(482)	(4,605)	(3,036)	(43)	(3,079)
Reconciliation of funds							
Total funds brought forward		28,192	2,059	30,251	31,228	2,102	33,330
Total funds carried forward		**24,069**	**1,577**	**25,646**	**28,192**	**2,059**	**30,251**

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.

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	9		1,291		832
Tangible assets	10		17,964		23,040
Investments	12		7,151		9,026
			26,406		32,898
Current assets					
Stocks	13	8		7	
Debtors	14	6,370		5,643	
Cash in hand and at bank		1,562		987	
		7,940		6,637	
Current liabilities					
Creditors: amounts falling due within one year	15	(5,705)		(4,949)	
Net current assets			2,235		1,688
Total assets less current liabilities			28,641		34,586
Creditors: amounts falling due after more than one year	16		(2,995)		(4,335)
Total net assets			25,646		30,251
Funds:					
Unrestricted funds	18		24,069		28,192
Restricted funds			1,577		2,059
			25,646		30,251

The financial statements were approved and authorised for issue by the Board of Trustees on 8 November 2019, and signed on their behalf by:

CHHannah

Chris Hannah - Chair

Alternative Futures Group Limited
Company Balance Sheet
As at 31 March 2019

Company No: 02679915
Charity No: 1008587

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	**9**		1,291		832
Tangible assets	**10**		18,065		23,141
Investments in subsidiary	**11**		0		0
Investments	**12**		7,151		9,026
			26,507		32,999
Current assets					
Stocks	**13**	8		7	
Debtors	**14**	6,370		5,643	
Cash in hand		1,562		987	
		7,940		6,637	
Creditors: amounts falling due within one year	**15**	(5,599)		(4,843)	
Net current assets			2,341		1,794
Total assets less current liabilities			28,848		34,793
Creditors: amounts falling due after more than one year	**16**		(2,995)		(4,335)
Total net assets			**25,853**		**30,458**
Funds:					
Unrestricted funds	**18**		24,276		28,399
Restricted funds			1,577		2,059
			25,853		**30,458**

The entity has taken the exemption from presenting its unconsolidated income and expenditure account under section 408 of the Companies Act 2006. The unconsolidated loss in relation to the company for the year was (£4,649,000) (2018: loss £3,199,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 8 November 2019, and signed on their behalf by:

Chris Hannah - Chair

Alternative Futures Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 March 2019

	Notes	2019	2018
		£000	£000
Cash flows used in operating activities	**20**	(2,032)	(266)
Net cash used in operating activities		(2,032)	(266)
Investing activities			
Purchase of fixed assets		(960)	(1,236)
Proceeds from sale of fixed assets		2,930	0
Purchase of investments		(1,075)	(1,080)
Proceeds from sale of investments		3,053	2,469
Net cash generated from investing activities		3,948	153
Financing activities			
Repayments of bank loans		(1,341)	(340)
Net cash (used in) financing activities		(1,341)	(340)
Net (decrease) in cash and cash equivalents		575	(453)
Cash and cash equivalents at beginning of year		987	1,440
Cash and cash equivalents at end of year		1,562	987
Relating to			
Cash at bank and in hand		1,562	987

ACCOUNTING POLICIES

General Information

Alternative Futures Group Limited is a private company, limited by guarantee, incorporated and registered in England, and a registered charity.

The address of the registered office and principal place of business is: 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 5.

Basis of Preparation

These 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 provided 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.

Going Concern

As part of its going concern review the Group has prepared detailed financial forecasts and cashflows looking at least 12 months ahead from the date the accounts are signed. Alternative Futures Group Limited has contracts in place with commissioners to secure the required level of income and cash flows for the foreseeable future. The cost reduction plans outlined in the Trustees' Report, the continued rationalisation of activities where appropriate to build a better platform for the future, together with continuous forward planning to mitigate the foreseen changes in market conditions and risk exposure, mean the going concern basis of accounting has been adopted.

The bank loan with Barclays is due for repayment in December 2020. The loan requirement will be reviewed at this time, with the option available to extend the term.

Basis of Consolidation

The consolidated financial statements incorporate those of Alternative Futures Group Limited and of its subsidiary, Red Hazels Developments Limited (i.e. entity 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 March 2019.

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 subsidiary to bring the accounting policies used into line with those used by other members of the Group.

ACCOUNTING POLICIES (CONTINUED)

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.

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 is stated at cost, net of amortisation and impairment. Goodwill has been amortised over 3 years, representing the life of the contract, and 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 the intended useful life of the software. AFG capitalises development expenditure as an intangible asset when it can demonstrate the following;

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

ACCOUNTING POLICIES (CONTINUED)

Where these criteria are not met, expenditure is charged to the Statement of Financial Activities 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 AFG'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

Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are any indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset. Shortfalls between the carrying value of the fixed assets and their recoverable amounts, being the higher of the fair value less costs to sell and value in use are recognised as impairment losses and recognised as an expense within the Statement of Financial Activities.

Investments

Investments including investment property, but excluding the investment in the subsidiary, are stated at fair value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year. Listed investments held are stated at the quoted market price. In the separate accounts of the charity, the investment in the subsidiary is initially measured at cost, and subsequently measured at cost less any accumulated impairment losses.

Stock

Stock relates to catering supplies held at the year-end in the Treatment & Recovery Centres. Stocks are stated at the lower of cost and net realisable value, on a first-in first-out basis.

Financial Instruments

AFG's Financial Instruments are considered as Basic Financial Instruments in accordance with Section 11 of FRS102. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value except for 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 Statement of Financial Activities. Prepayments are valued at the amount prepaid net of any trade discounts due.

ACCOUNTING POLICIES (CONTINUED)

Cash at Bank and In Hand

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

Creditors

Creditors are recognised where AFG 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 AFG to the four pension schemes that are in operation, as follows:

- The National Health Service (NHS) Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury. The scheme is not designed to be run in a way that would enable employers of eligible employees to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined 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.
- 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 credit 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.

ACCOUNTING POLICIES (CONTINUED)

Retirement Benefits - Pension Schemes

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 & 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 Trustees do not consider any accounting estimates to be critical.

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

- 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) continues to be valued below the 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 it valuation;

1 CHARITABLE ACTIVITIES INCOME

	2019 £000	2018 £000
Supported living services	49,268	48,374
Independent Hospitals	10,685	9,686
	59,953	58,060

All income in the current and prior year was unrestricted

2 INVESTMENT INCOME

	2019 £000	2018 £000
Dividends - UK equity	112	75
Dividends - Overseas equities	31	47
Dividends - other	44	84
Interest - UK fixed interest securities	55	61
Interest on cash deposits	7	1
	249	268

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	2019 £000	2018 £000
Provision of support and care					
Supported living	43,605	155	7,412	51,172	49,022
Independent Hospitals	6,447	5,592	1,600	13,639	12,249
Adult Care Homes	0	22	0	22	152
Adult Care Homes with Nursing	0	82	5	87	65
Total charitable activities	50,052	5,851	9,017	64,920	61,488

Included within Supported Living Support Costs and Independent Hospitals support costs above is £27k and £6k respectively of exceptional income.
Included within Independent Hospitals direct other costs is £1,612k of exceptional costs as analysed in Note 4.

3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

	Unrestricted	Restricted	2019	Unrestricted	Restricted	2018
	£000	£000	£000	£000	£000	£000
Provision of support and care						
Supported living	51,170	2	51,172	49,020	2	49,022
Independent Hospitals	13,616	23	13,639	12,226	23	12,429
Adult Care Homes	15	7	22	145	7	152
Adult Care Homes with Nursing	76	11	87	54	11	65
Total charitable activities	64,877	43	64,920	61,445	43	61,488

Included within Unrestricted Supported Living charitable expenditure above is £27k of exceptional income. Included within Unrestricted Independent Hospitals charitable expenditure is £1,606k of exceptional costs as analysed in Note 4.

4 EXCEPTIONAL ITEMS

	2019	2018
	£000	£000
Impairment of properties within Tangible Assets	1,612	1,561
Staff Costs, including redundancy, taxes and pensions	31	42
Recruitment Fees	38	0
Profit on sale of assets	(102)	0
	1,579	1,603

In 2018, exceptional items related to One-Time costs incurred due to and arising from Property valuations at 31st March 2018, and redundancy costs following completion of organisational restructure. In 2019 exceptional items related to impairment of Tesito House, redundancy costs and one-off recruitment fees incurred, together with profits made on the disposal of properties which were surplus to requirements. All exceptional income/expenditure in the current and prior years was unrestricted.

5 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

	2019	2018
	£000	£000
Finance	620	642
People & Organisational Development	1,613	1,428
Information, communication and technology	1,615	1,271
Insurance Costs	502	558
Governance & Administration	706	660
Regional Operational Support	2,576	2,475
Direct Operational Support	804	987
Premises	307	376
Legal Fees	58	93
Chief Executive Department	216	243
	9,017	8,733

5 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS (CONTINUED)

The categories within the above table have been amended compared to the previous year, to provide clearer transparency for the benefit of external organisations, to demonstrate the detailed structure of AFG support functions.

2018 figures have been restated to include exceptional items totalling £42,000 which were not listed previous year, and also the revised allocation of regional office running costs totalling £760,000 which was previously classed in Note 3 within direct other costs but more appropriately should be described as support costs in note 5.

Governance costs include internal audit fees of £41,686 (2018: £86,909) and external audit fees of £71,670 (2018: £49,080), Trustee development £nil (2018: £1,935), and Trustee indemnity insurance £8,452 (2018: £7,546).

Staff costs included within support costs amount to £5,611,575 (2018: £4,708,729).

6 NET EXPENDITURE FOR THE YEAR

This is stated after charging:

	2019	2018
	£000	£000
Operating lease rentals	274	322
Depreciation and amortisation:		
Intangible fixed assets, owned	31	53
Tangible fixed assets, owned	1,106	1,267
Bank interest payable on bank loan	97	94
Auditor's remuneration:		
- audit fees	72	49
- consultancy fees	1	24
- accountancy services	0	2
- internal audit fees	42	87

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

Staff costs during the year were as follows:

Group	2019	2018
	£000	£000
Wages and salaries	51,007	47,574
Social security costs	3,686	3,309
Employer pension costs - operating cost in respect of DB Schemes	80	100
Employer pension costs - costs of contributions paid to DC schemes	941	571
Redundancy payments	31	42
	55,745	51,596

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

	2019	2018
Company		
	£000	£000
Wages and salaries	50,998	47,535
Social security costs	3,685	3,305
Employer pension costs – operating cost in respect of DB Schemes	80	100
Employer pension costs – costs of contributions paid to DC schemes	940	569
Redundancy payments	31	42
	55,734	51,551

In response to the cost pressures placed upon the organisation and the move to a divisional model, a restructuring plan was put in place, under which a number of roles where made redundant giving rise to a £30,673 (2018 £41,906) cost in the year.

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

	2019	2018
	No of employees	
£60,001 to £70,000	3	2
£70,001 to £80,000	2	1
£80,001 to £90,000	3	1
£90,001 to £100,000	1	2
£130,001 to £140,000	1	-
£170,001 to £180,000	-	1
	10	7

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 Group was £ 1,022,520 (2018 £815,192).

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

	2019	2018
	£000	£000
Pension contributions to money purchase schemes	666	258
Pension contributions to defined benefit schemes	275	313
	941	571

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

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:

	2019	2018
	No of employees	
Money Purchase Schemes	1,803	1,762
Defined Benefit Schemes	110	137
	1,913	1,899

During the year eight higher paid employees (2018: five) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £73,196 (2018: £38,452).

No higher paid employees (2018: 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 (2018: £ Nil).

Two of the higher paid employees (2018: two) do not participate in a pension scheme.

The Chair of the Board of Trustees received remuneration in the year of £15,000 (2018: £15,000), as allowed in the Memorandum and Articles of Association and agreement from the Charity Commission in June 2011. The Chair received no pension contributions during the year (2018: £ 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 £1,114 (2018: £1,400) were reimbursed to four (2018: three) Trustees in the year.

8 STAFF NUMBERS

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

	2019	2018
	No of employees	
Management and Operational Care and Support Staff	2,455	2,438
Governance and administration of the charity	10	10
	2,465	2,448

8 STAFF NUMBERS (CONTINUED)

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

	2019	2018
	No of employees	
Management and Operational Care and Support Staff	1,987	1,935
Governance and administration of the charity	10	10
	1,997	1,945

The care and support staffing numbers relate to Alternative Futures Group Limited and include 1 (2018: one) member of staff employed by Red Hazels Developments Limited for the period of April to July 2018.

9 INTANGIBLE ASSETS

Group and Company

	Capitalised development costs £000	Software £000	Goodwill £000	Total £000
Cost				
As at 1 April 2018	450	440	1,300	2,190
Additions	488	2	0	490
As at 31 March 2019	938	442	1,300	2,680
Amortisation				
As at 1 April 2018	0	58	1,300	1,358
Provided in the year	0	31	0	31
As at 31 March 2019	0	89	1,300	1,389
Net book amount at 31 March 2019	938	353	0	1,291
Net book amount at 31 March 2018	450	382	0	832

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. The systems went live from 1 April 2019.

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

10 TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
As at 1 April 2018	27,511	5,708	33,219
Additions	75	395	470
Disposals	(3,804)	(323)	(4,127)
As at 31 March 2019	23,782	5,780	29,562
Depreciation			
As at 1 April 2018	6,336	3,843	10,179
Provided in the year	619	487	1,106
Disposals	(1,021)	(278)	(1,299)
Impairment loss	1,612	0	1,612
As at 31 March 2019	7,546	4,052	11,598
Net book amount at 31 March 2019	16,236	1,728	17,964
Net book amount at 31 March 2018	21,175	1,865	23,040

The cost of land held within freehold land and buildings amounts to £4,522,357 (2018: £5,549,000) and is not depreciated.

Included within freehold land and buildings above are two (2018: two) properties under long leaseholds of net book value £7,020,431 (2018: £8,773,340) and associated leasehold improvements on these properties amounting to £292,374 (2018: £298,356)

An impairment loss of £1,612,000 on Land and Buildings was recognised in exceptional items during the period in respect of Tesito House following its closure in February 2019.

The bank loan from Barclays referred to in Note 16 is secured by way of legal charges over four (2018: Five) properties with net book value of £5,228,974 (2018: £8,925,393) included within the total fixed asset cost.

10 TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
As at 1 April 2018	27,613	5,707	33,320
Additions	75	395	470
Disposals	(3,804)	(323)	(4,127)
As at 31 March 2019	23,884	5,779	29,663
Depreciation			
As at 1 April 2018	6,336	3,843	10,179
Provided in the year	619	487	1,106
Disposals	(1,021)	(278)	(1,299)
Impairment	1,612	0	1,612
As at 31 March 2019	7,546	4,052	11,598
Net book amount at 31 March 2019	16,338	1,727	18,065
Net book amount at 31 March 2018	21,277	1,864	23,141

11 INVESTMENTS IN SUBSIDIARY

Company	Registered office	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.

11 INVESTMENTS IN SUBSIDIARY(CONTINUED)

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

	2019 £000	2018 £000
Turnover	0	0
Expenditure, including Interest paid and received	15	57
(Loss)/Profit for the financial year	(1)	57
Total Assets	0	0
Total (Liabilities)	(106)	(105)
Equity at end of year	(106)	(105)

12 FIXED ASSET INVESTMENTS

Movement in fixed assets investments

	Group		Company	
	2019	2018	2019	2018
Fixed asset investments held for return:	£000	£000	£000	£000
Listed investments	6,951	8,826	6,951	8,826
Investment properties	200	200	200	200
	7,151	9,026	7,151	9,026

	Group		Company	
	2019	2018	2019	2018
Listed investments	£000	£000	£000	£000
Fair value brought forward	8,826	10,154	8,826	10,154
Additions to investments at cost	1,075	1,080	1,075	1,080
Disposal at carrying value	(3,053)	(2,470)	(3,053)	(2,470)
Changes in fair value	103	62	103	62
Fair value carried forward	6,951	8,826	6,951	8,826
Historical cost at 31 March	6,361	7,100	6,361	7,100

Listed investments at fair value comprised:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Equities - UK	2,138	2,632	2,138	2,632
Equities - Overseas	2,053	2,365	2,053	2,365
Fixed interest securities - UK	2,320	2,657	2,320	2,657
Property - UK	440	672	440	672
Cash held for investment	0	500	0	500
Fair value carried forward	6,951	8,826	6,951	8,826

12 FIXED ASSET INVESTMENTS (CONTINUED)

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

	£'000
iShares Index Linked	699
M&G Corporate Bond	584
Troy Trojan	565
Artemis Income	545
Baillie Gifford Strategic Bond	487
M&G Charifund	448
The Charities Property Fund Troy Trojan	440
Rathbone Ethical Bond	427
Majedie UK Equity	426
Baillie Gifford International	421
Artemis Global Income	402

Investment properties held at the year-end comprise of The Newlands building valued at £200,000, (2018: £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**	
	2019	2018	2019	2018
	£000	£000	£000	£000
Food products	8	7	8	7
	8	7	8	7

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

14 DEBTORS

	Group		**Company**	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade debtors	4,755	3,681	4,755	3,681
Amounts owed from group	0	0	0	0
Prepayments	146	134	146	134
Accrued income	1,409	1,819	1,409	1,819
Other	60	9	60	9
	6,370	5,643	6,370	5,643

Trade debtors are stated after a bad debt provision of £ NIL (2018: £384,048). The impairment loss has been recognised in charitable activity expenditure.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank loans and overdraft	348	349	348	349
Trade creditors	1,155	1,245	1,155	1,245
Accruals and deferred income	2,450	2,173	2,344	2,070
Social security and other taxes	902	891	902	888
Other creditors	850	291	850	291
	5,705	4,949	5,599	4,843

Included in trade creditors is an amount of £144,493 (2018: £108,650) due to pension schemes which was paid subsequent to the year end.

Deferred Income at the end of the year was £640,830 (2018: £381,372) of which £108,261 (2018: £95,125) related to timing of invoices raised around year-end, and the other £532,569 (2018: £286,247) related to invoices in query. Income deferred in the current year was £573,343 and amounts released from prior year was £313,885.

16 CREDITORS DUE AFTER ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank loan and overdraft	2,995	4,335	2,995	4,335
	2,995	4,335	2,995	4,335

The bank loan from Barclays is secured by way of legal charges over four (2018: 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. It is the intention that the loan will be renegotiated in 2019/2020 to extend the term. During the financial year the group made a £1m capital repayment following the sale of Abbey Court to reduce the capital outstanding, on top of the quarterly repayments.

17 FINANCIAL INSTRUMENTS

	2019	2018
Financial assets:	£000	£000
Debt instruments measured at amortised cost	6,224	5,509
Instruments measured at fair value through profit or loss	6,951	8,826
	13,175	14,335
Financial liabilities:		
Measured at amortised cost	7,157	8,012

18 MOVEMENT IN FUNDS

GROUP

	At 1 April 2018	Income	Expenditure	Gain on investment assets	Pension	Gross transfer between funds	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	28,192	60,202	(64,911)	103	44	439	24,069
Restricted funds: gifted properties	2,059	0	(43)	0	0	(439)	1,577
Total funds	30,251	60,202	(64,954)	103	44	0	25,646

COMPANY

	At 1 April 2018	Income	Expenditure	Gain on investment assets	Pension	Gross transfers between funds	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	28,399	60,202	(64,911)	103	44	439	24,276
Restricted funds: gifted properties	2,059	0	(43)	0	0	(439)	1,577
Total funds	30,458	60,202	(64,954)	103	44	0	25,853

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.

Transfer Between Funds
Transfer between funds relate to restricted properties that were disposed in the year with the permission of the donor, with the legal charges being purchased as part of the disposal to remove the restriction.

18 MOVEMENT IN FUNDS (CONTINUED)

PRIOR YEAR MOVEMENT IN FUNDS

GROUP

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

COMPANY

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

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2019 are represented by:

GROUP	Unrestricted funds £000	Restricted funds £000	2019 £000
Intangible fixed assets	1,291	0	1,291
Tangible fixed assets	16,387	1,577	17,964
Investments	7,151	0	7,151
Current assets	7,940	0	7,940
Current liabilities	(5,705)	0	(5,705)
Long term liabilities	(2,995)	0	(2,995)
Net assets	24,069	1,577	25,646

COMPANY	Unrestricted funds £000	Restricted funds £000	2019 £000
Intangible fixed assets	1,291	0	1,291
Tangible fixed assets	16,488	1,577	18,065
Investments	7,151	0	7,151
Current assets	7,940	0	7,940
Current liabilities	(5,599)	0	(5,599)
Long term liabilities	(2,995)	0	(2,995)
Net assets	24,276	1,577	25,853

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

Fund balances at 31 March 2018 are represented by:

GROUP	Unrestricted funds £000	Restricted funds £000	2018 £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)
Net assets	28,192	2,059	30,251

COMPANY	Unrestricted funds £000	Restricted funds £000	2018 £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)
Net assets	28,399	2,059	30,458

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

	2019 £000	2018 £000
Net expenditure	(4,649)	(3,142)
Gain in pension	44	63
Net movement in funds	(4,605)	(3,079)
Adjustments for:		
(Profit) on disposal of tangible assets	(102)	0
(Gains) on investments	(103)	(62)
Amortisation charges	31	53
Depreciation charges	1,106	1,267
Impairment of Tangible Fixed Assets	1,612	1,561
	(2,061)	(323)
Movements in working capital:		
(Increase) / decrease in stock	(1)	15
(Increase) /decrease in debtors	(727)	82
Increase / (decrease) in creditors	757	(103)
Net cash used in operating activities	(2,032)	(329)

21 CAPITAL COMMITMENTS

The charity had total capital commitments of £234,523 at 31 March 2019 (2018: £163,554). Capital commitments in respect of intangible assets were £89,332(2018: £163,554). Capital commitments in respect of tangible assets were £145,191 (2018: £Nil).

22 RETIREMENT BENEFITS

Contributions are made 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.

- Stakeholder pension scheme with banded contributions up to 14% depending on grade are available to all staff.

- 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.

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 2018 to 31 March 2019 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 2019 are based on the last full actuarial valuations as at 31 March 2016 as updated to 31 March 2019, and include the pension schemes in aggregate.
Overall assumptions:

Key assumptions used:	Total of pension schemes 2019 %	Total of pension schemes 2018 %
Discount rate	2.4	2.7
Expected return on plan assets	8.9	3.3
Equities	8.9	3.3
Bonds	8.9	3.3
Property	8.9	3.3
Cash other	8.9	3.3
Rate of inflation	2.3	2.1
Expected rate of salary increases	3.5	3.4
Future pension increases	2.4	2.3

22 RETIREMENT BENEFITS (CONTINUED)

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

	Total of pension schemes 2019 Years	Total of pension schemes 2018 Years
Male	22.2	22.1
Female	24.8	24.8

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

	Total of pension schemes 2019 Years	Total of pension schemes 2018 Years
Male	24.4	24.4
Female	27.2	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.

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

	Total of pension schemes 2019 £000	Total of pension schemes 2018 £000
Current service cost	80	100
Interest cost	146	142
Interest income	(168)	(165)
Administration costs	1	
	59	77

Actuarial gains and losses are reported in the statement of financial activities. The gain recognised in 2019 was £132,000 (2018: £258,000 gain).

An additional loss of £88,000 (2018: £195,000 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 £557,000 (2018: £172,000) for Lancashire County Pension Fund and £112,000 (2018: £45,000) for Greater Manchester Pension Fund.

22 RETIREMENT BENEFITS (CONTINUED)

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

	Total 2019 £000	Total 2018 £000
Fair value of scheme assets	7,012	6,428
Present value of defined benefit obligations	(6,112)	(5,616)
Asset in scheme	900	812
Asset on Greater Manchester scheme derecognised in year	(151)	(213)
Asset on Lancashire scheme derecognised in year	(749)	(599)
Recognised in balance sheet	0	0

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

	Total 2019 £000	Total 2018 £000
At start of period	5,616	5,667
Current service cost	80	100
Interest cost	146	142
Actuarial (gains) and losses	370	(205)
Contributions by plan participants	12	15
Benefits paid	(112)	(103)
At the end of the period	6,112	5,616

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

	Total 2019 £000	Total 2018 £000
At start of period	6,428	6,284
Interest income	168	165
Administrative expenses	(1)	(1)
Return on plan assets less amounts included in net interest	502	53
Employer contributions	15	15
Members contributions	12	15
Benefits paid	(112)	(103)
At the end of the period	7,012	6,428

22 RETIREMENT BENEFITS (CONTINUED)

McCloud

The decision of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pensions Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any required changes, but this note sets out some approximate effects of the costs if the transitional protections need to be extended to younger members. The Government Actuary's Department (GAD) has carried out some costings of the potential effect of McCloud on the LGPS as a whole, which are set out in their paper dated 10 June 2019. For the LGPS as a whole, GAD's calculations indicate a potential balance sheet effect of additional liabilities of about 3.2% of active members liabilities, and a potential increase in service cost of about 3% of pensionable pay, when measured on FRS102 actuarial assumptions as at 31 March 2019 assuming real pay growth of 1.5% p.a. above CPI.

The actuaries have considered the above, and using the same assumptions have estimated additional past service liabilities as at 31 March 2019 of £55,000 for Lancashire and additional past service liabilities of £13,000 for Greater Manchester. No adjustment has been made, given the amounts involved are not deemed material to the defined benefit asset which is already derecognised, and to expenditure on charitable activities.

The analysis of the scheme assets at the balance sheet date were as follows:

Lancashire County Pension Fund

	Total of pension schemes Fair value assets 2019 £000	Total of pension schemes Fair value assets 2018 £000
Equity Instruments	2,378	2,187
Government bonds	189	123
Other bonds	65	89
Property	502	463
Cash / liquidity	27	(20)
Other assets	2,234	2,083
	5,395	4,925

Greater Manchester Pension Fund:

	Total of pension schemes Fair value assets 2019 £000	Total of pension schemes Fair value assets 2018 £000
Equity Instruments	1,116	993
Government bonds	243	240
Other bonds	0	0
Property	129	105
Cash / liquidity	129	165
	1,617	1,503

22 RETIREMENT BENEFITS (CONTINUED)

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2020 are £Nil (2019: £ Nil) in respect of Lancashire County Pension Fund and £15,000 (2019: £15,000) 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	
	2019	2018	2019	2018
	£	£000	£	£000
Within one year	153	176	153	176
Between two and five years	211	298	211	298
After five years	0	3	0	3
	364	477	364	477

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 2019, the company had 10 members (2018: 10).

26 CONTINGENT LIABILITIES

The Group is aware of ongoing legal cases in relation to the sleep-in allowance which is affecting the sector.

In April 2017, an Employment Appeal Tribunal (EAT) passed judgment in the Royal Mencap Society V Tomlinson-Blake (represented by UNISON). The EAT found that, in some cases, carers who are required to be present throughout the night are entitled to the NMW whether they are asleep or awake. In response to this, the Government set up the Social Care Compliance Scheme (SCCS) and temporarily modified its policy on enforcing the NMW in the Social Care Sector. AFG became a member of the SCCS in February 2018 and provided a nil liability disclosure in December 2018, which was accepted by HMRC in January 2019.

Mencap appealed the EAT decision and on 13 July 2018, the Court of Appeal reached a decision in the case of Royal Mencap Society v Tomlinson-Blake and Shannon v Rampersad. In a very clear decision, the Court of Appeal found that it was only time spent awake and working during a sleep-in that counts as working time for National Minimum Wage purposes. This meant that AFG were no longer legally obliged to pay top up payments which had been paid since 1 July 2015 following previous guidance issued.

26 CONTINGENT LIABILITIES (CONTINUED)

Between January 2019 and March 2019 AFG changed to a reducing fixed payment methodology, in preparation for moving to variable rates for sleeping night shifts from April 2019 (the variable rate is based on the amount received from commissioners, less AFG employer and overhead costs).

AFG has not received any civil or employment tribunal claims with regards to this matter.

UNISON have appealed the Court of Appeal decision and a final Supreme Court judgement is now expected in 2020. No additional liability has been recognised in relation to sleeping night shifts in these financial statements, however if the Supreme Court overturns the Court of Appeal's decision, the liability to pay back-pay for the period between January 2019 and March 2020 is around £2m.

The charity suffered an incident at one of our Treatment and Recovery Centres during the year. An investigation by the Regulator has commenced and is at an early stage. The inquest is likely to be heard during the course of 2020. At this point it is too early to assess the likelihood of any liability. As a result, no liability has been recognised as a provision within the accounts.

The Group provides a Death in Service benefit for all staff however the insurance policy does not provide the benefit to any staff aged over 75. The Directors are aware of a small cohort of staff who are aged over 75, and the estimated death in service benefit relating to those staff if it were to arise would be £170k.

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, and transactions with the subsidiary Red Hazels Developments Limited disclosed below:

Amounts charged to Red Hazels for staff costs paid by AFG	13,824
Amounts discharged	(13,824)
Amount owed from Red Hazels at 31 March 2019	-

Amounts recharged relate to staff costs paid by AFG in addition to the audit fee borne by AFG in the year. The debtor owed from Red Hazels Developments Limited was subsequently discharged in the year.