Board Report and Financial Statements

Year ended
31 March 2019

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Board Members, Executives and Advisors

Board members	Anne McGurk, Chair Carmen Simpson, Vice Chair Jamie Carswell Kerry Heath Mark Gayfer, Chair of Audit Committee Michael Boniface Peace Ayiku-Nartey Lucy Ferman (appointed November 2018) Councillor Olurotimi Ogunbadewa (appointed September 2018) Councillor Sue Hordijenko (appointed March 2019) Michael Tisdell (appointed March 2019) The following Board members also served during the period: Councillor Alan Hall (to September 2018) Andrew Harmer (to September 2018) Donna Hughes (to December 2018) Councillor Jonathan Slater (to July 2018) Gail Nicholas (to May 2019)
Executives	Jim Ripley, Chief Executive Chris Starke, Director of Finance David Westworth, Director of Customer Services Lesley Johnson, Director of Property and New Business Nick Edwards, Assistant Director of IT and Facilities
Secretary	Chris Starke
Registered Office	The Green Man 355 Bromley Road London SE6 2RP
Bankers and funders	Barclays Bank plc 28th Floor 1 Churchill Place London E14 5HP
Auditors	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Board report

The Board presents the consolidated financial statements for the year ended 31 March 2019.

Principal Activities

Phoenix Community Housing is a charitable housing association, originally set up as a stock transfer from Lewisham Council. Phoenix provides affordable housing and its activities include managing, maintaining and developing homes and improving and regenerating its estates in Downham, Bellingham and Whitefoot in Lewisham.

Phoenix Community Housing is incorporated under the Co-operative and Community Benefit Societies Act 2014, registered number 30057R. It is a Registered Provider of Social Housing registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008, registered number L4505.

Phoenix Community Housing had two subsidiary companies at 31 March 2019, Phoenix Agency Services Limited, which provides repair and maintenance services, and Home Makers The Property People Limited (Home Makers), which provides private lettings management services.

Business Review

A review of the results for the year is included in the strategic report from page 7 onwards.

Governance

The Association's Board and Executive Officers are listed on page 1 of this report.

Phoenix is governed by a Board of 12 non-executive members comprising six resident board members, two Council board members and four independent board members. Resident board members are elected by a ballot of members following a selection process overseen by the Board. Council nominated board members are appointed by the London Borough of Lewisham according to a protocol agreed with the Council. These non-executive members are responsible for the overall strategy and direction of Phoenix. The Chair and Vice-Chair of the Board are tenants.

Day to day management of the Association is delegated to the Executive Team. The Executive Officers hold no interest in the Association's share capital, and although they do not have the legal status of Directors, they act as executives within the authority delegated by the Board.

The Board is supported by three sub-committees as set out below:

- The Audit Committee is responsible for appointing and monitoring the work of internal audit, consideration of the external audit management letter, compliance with the adopted code of governance and regulatory standards, and reviewing the effectiveness of the risk management framework and system of internal controls. It receives reports on internal controls and recommendations for improvement from both internal and external auditors and meets privately with the internal and external auditors at least once a year.

- The Human Resources and Remuneration Committee is responsible for the review of terms and conditions of employment and overseeing all remuneration policies, the annual pay review, bonus awards, benefits for staff, and making recommendations on the people services strategy to the Board. The Board is responsible for the remuneration of the Chief Executive and Executive Team and overseeing the Board appraisal framework.

- The Development Committee is responsible for overseeing Phoenix's overall development strategy and the review of the appraisal assumptions used to assess opportunities for the acquisition and development of new homes, and recommends to the Board any bids for grant funding to the Greater London Authority and other funding agencies.

The Association observes best practice with regards to corporate governance and complies with the recommendations in the National Housing Federation's (NHF) 2015 Code of Governance.

The Group has purchased Directors' and Officers' liability insurance for the Board, Executive Officers and staff.

Community Empowerment Strategy

The Association is a Community Gateway whose members are all tenants and leaseholders. Membership of Phoenix at 31 March 2019 was 3,618.

The Board reviewed and approved a refreshed Community Empowerment and Engagement Strategy during the year which focuses on four key well-being themes:

- driving aspiration and supporting residents out of poverty;
- improving the life chances of children, young people and their families;
- increasing resident leadership, community empowerment and cohesion by raising and widening participation; and
- developing sustainable models of operation.

A key part of the strategy is the 'Community Links', three consultative forums which any resident can participate in, and a 'Community Chest' fund of £100,000 each year to spend on the local community. Tenants make the final decisions about which projects are funded by voting on their priorities for funding from the applications submitted.

The Phoenix Gateway Committee (PGC) provides a key link between the Board, the Community Links and shareholding members, and considers an annual programme of strategic matters proposed by the Board. The PGC has an advisory role and provides a sounding board and forum for discussion on specific Phoenix proposals and services. The aim is to be both inclusive and promote joint working at all levels of the organisation, and to assist in the succession of resident members to the Board.

Membership of the PGC consists of at least one member from each Community Link and a further four tenant members and one leaseholder member drawn from the shareholding membership. In this way, ordinary members can directly contribute to the strategic development of Phoenix as well as enhance their own capacity as residents. The PGC also includes three Tenant Board members to ensure an effective relationship between the Board and the PGC and two members of staff, recognising that staff play a vital role in delivering services and are keen to work with residents in helping to steer the strategic direction of the organisation. In 2018/19 the PGC has shaped our approach to strategic reviews, community events and the Annual General Meeting, and oversaw the resident Board member elections and reviewed the Community Chest

A Resident Scrutiny Panel provides a specific resident forum to scrutinise Phoenix's service performance and help to improve services for all residents in line with arrangements set out in the Regulator of Social Housing's Regulatory Framework. The Scrutiny Panel is an independent group of residents working together to check and challenge our services and reports its findings and recommendations directly to the Executive Team and Board. The Scrutiny Panel completed two reviews during the year covering the garden scheme and caretaking services. Its recommendations have been considered and accepted by the Executive Team and the Board. The Board has also agreed that the Scrutiny Panel can act as a Tenant Panel for considering complaints.

A Policy Working Group, comprising of residents, reviews and comments on proposed policies prior to consideration by the Board. The Policy Working Group reviewed 25 policies and contributed to the Green Paper consultation during the year.

Phoenix operates an enhanced membership scheme, 'Gold Membership', for shareholding members. Under the scheme, residents earn points for keeping to certain agreements with Phoenix, for example, keeping their rent account up to date and paying by direct debit. These points are converted into a 'dividend' payment which is paid in shopping vouchers each year. The enhanced membership scheme is intended to be self-financing due to the savings made by Phoenix arising out of the agreements with residents. The Gold Membership scheme had 3,604 members at 31 March 2019.

The Phoenix Academy Programme received CIH accreditation in 2017 and continues to help with our succession planning for our involvement groups and the Board. In June 2018, 24 students graduated from the Academy and 11 students and previous graduates completed a level 2 Chartered Institute of Housing (CIH) practice qualification, funded by a bursary from Phoenix. New trainees also volunteered with Phoenix as part of their course.

Regulation

Housing associations and other social landlords (registered providers of social housing) must comply with a regulatory framework including national standards set by the Regulator of Social Housing.

Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board in July 2019. The Association complies with the Standard in all material respects. The Association has taken steps to address the requirements of General Data Protection Regulation (GDPR) and has an action plan in place to maintain compliance. An external Data Protection Officer has been appointed to advise on and assist with changes to systems and procedures to strengthen compliance. The Board has noted a report from the DPO that overall, Phoenix is materially compliant with the requirements of data protection legislation but needs to enhance the approach in the following areas:

- data retention and deletion activity;
- structured file management to reduce the potential for duplicates and ensure information is easily retrievable by those who need access and for addressing subject access requests in a timely manner;
- decommissioning of software; and
- completion of tasks listed on the Data Protection action plan.

These actions will continue to be monitored by the Audit Committee.

The Regulator publishes its assessment of providers' compliance with the Governance and Financial Viability Standard. Phoenix has maintained the top ratings of G1 for Governance and V1 for Viability following the annual stability check by the Regulator in December 2018.

The consumer standards place an emphasis on the relationship between landlords and residents at a local level, with residents at the heart of shaping, influencing and monitoring the services they receive. The regulatory framework also requires landlords to develop local offers to residents and set out standards which reflect the needs of their communities.

The Board has agreed a set of Phoenix Standards, which were updated following consultation with residents in March 2016. These represent the 'Local Offer' for the purpose of the Regulator's national standards. The promises made to tenants as part of the transfer from Lewisham Council form the core of the Local Offer, supplemented by service standards agreed with tenants. Special standards for Leaseholders have also been developed and agreed by the Board.

An annual report setting out our compliance with the standards is provided to residents and updates provided with the corporate plan update to the Board every six months. The Scrutiny Panel also reviewed whether the information provided to assess compliance with the standards provided assurance and made some recommendations where further information was needed or improvements required.

Employees

Details of employees are set out in note 7 to the financial statements.

The Board and Executive Team consider that the involvement of staff is essential in providing a high quality service to the Association's residents. The Group is committed to consulting and involving staff on all aspects of its operations through staff briefings, team meetings, e-mail communications and the intranet. We were recognised as one of the top 100 not-for-profit companies to work for in the Sunday Times Best Companies Awards and achieved Investors in People Gold accreditation in 2017.

Training

The core training programme covers health and safety, key areas of compliance such as data protection, money laundering, diversity and safeguarding, as well as customer care and management development. The Group also funds professional and academic qualifications for a number of staff. During the year, the Group employed 9 apprentices.

Diversity

The diversity of staff is a key performance measure and as at 31 March 2019 the staff employed by the Group comprised 27% black and minority ethnic employees, 43% women and 13 staff with a stated disability. Applications for jobs are encouraged from people with disabilities and appropriate adjustments are made to the jobs of employees with disabilities to enable them to remain in employment. Phoenix is accredited as a Disability Confident employer.

New regulations introduced in 2017 mean that all organisations with 250 or more staff must now report on a number of measures annually:

- the median pay gap between male and female staff;
- the mean pay gap between male and female staff; and
- the proportion of males and females in each pay quartile.

These organisations must also report on differences in bonus payments between male and female employees. While Phoenix does not have more than 250 staff, we are including this information in the interests of transparency.

- median pay gap: 0% (2018: 0%)
- mean pay gap: males are paid 6.6% higher than females (2018: 7.3%)
- number of male and female staff in each pay quartile:

Pay quartile	Male	Female
1 (highest)	20	22
2	20	22
3	12	30
4	27	14
Total	79	88

Phoenix offers a collective staff bonus scheme so there is no difference between payments to male and female staff.

This information has been shared with staff and the Human Resources Committee will be considering a report on proposed actions to address the mean pay gap in 2019.

Health, Safety and Welfare of Employees at Work

The Group has detailed health and safety policies and provides staff training and education on health and safety matters. Phoenix Community Housing and Phoenix Agency Services have Health and Safety Committees which meet quarterly to consider matters of policy and good practice, and to review any accidents or incidents. The Board receives quarterly performance information on health and safety matters.

Phoenix Agency Services maintained its accreditation under the ISO 18001 standard.

Modern Slavery and Human Trafficking

Phoenix is committed to preventing modern slavery and human trafficking within our organisation and throughout our supply chains. The Group complies with its responsibilities under the Modern Slavery Act 2015, and has agreed a range of measures in order to fulfil them. These are set out in our Modern Slavery and Human Trafficking Statement on our website.

Strategic Report

The Board presents their strategic report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2019.

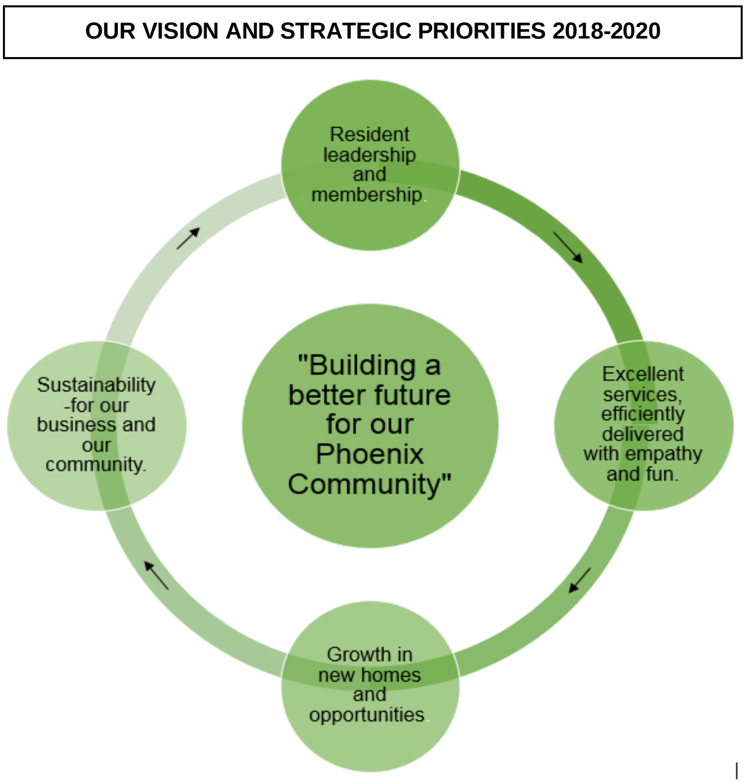
Objectives and strategy for achieving those objectives

Our vision is "to work together to build a better future for our Phoenix community". To build a better future for our Phoenix Community and embrace our gateway model of resident leadership and membership we need to build new homes and ensure our community is supported through physical and community regeneration activities.

The Board has set four strategic priorities to support our vision:

1. Resident leadership and membership.
2. Excellent services, efficiently delivered with empathy and fun.
3. Growth in new homes and opportunities.
4. Sustainability for our business and our community.

The four strategic objectives feed into one another. This is illustrated below.



The Board has reviewed and set corporate priorities to deliver the vision as set out below. Progress against the Corporate Plan is monitored and reported to the Board every six months.

1. Resident leadership and membership
   - Strengthen our business by making governance, service improvements and efficiencies based on resident insight and scrutiny, good practice and changes to our operating and regulatory framework.
   - Steered by residents start to deliver our refreshed Community Engagement Strategy for 2019-2022.
   - Continue to promote and increase membership for residents and staff and maximise the ways our Gold Membership scheme adds value to members and our business.
   - Deliver and refine our Communication Strategy to set out how we communicate with our residents as well as how we celebrate our successes and raise our internal and external profile so people want to join us or adopt our ways of working.

2. Excellent services, efficiently delivered with empathy and fun
   - Maintain and improve customer experience for all our customers.
   - In response to leaseholder feedback enhance the opportunities for leaseholders to influence our promises, expectations and plans for improvement and make sure they are delivered across Phoenix.
   - Continue to deliver our project to implement a customer relationship and electronic document record management system to maximise efficiency, deliver "Digital by Choice" options and improve customer experience.
   - Deliver priorities for Equality, Diversity and Community Integration (cohesion) and set targets so we know who our residents and staff are and can adapt our services to meet their changing needs and help build sustainable communities in our area.
   - Plan and deliver our major works programmes so our homes continue to meet our decent homes standard and the community shapes our plans.

3. Growth in new homes and opportunities
   - Deliver our approved development plans to build new homes tackling homelessness and housing need in our area as set out in our Development Strategy.
   - Consulting and involving our residents and other stakeholders, improve our community as a place to live through environmental works and levering in funding and support to strengthen our community.
   - Monitor the delivery of our repairs service through Phoenix Repairs Services to ensure it increases resident satisfaction and adds value to Phoenix, through social value and efficiencies. Support it to deliver its aspirations to be the preferred maintenance provider for Phoenix.
   - Review our community resources to assess how they can be used to maximise their benefits to the local community.
   - Explore new business opportunities to increase our services to benefit our community and the number of homes we manage, through stock transfer opportunities.

4. Sustainability for our business and our community
   - Deliver our Value for Money and efficiency plans, so we confidently maintain our financial viability in the long term.
   - Provide energy advice and start to deliver works to our homes that are the most energy inefficient.

- Deliver the "Aiming Higher Programme" continuing to learn to improve how we work together to meet our values so we enhance customer experience, promote equality and diversity and deliver innovation and efficiencies across Phoenix to meet our vision.
- Continue to maintain and improve our approach to health and safety.

Business model

Phoenix Community Housing is a not-for-profit resident-led Housing Association. 6,318 properties were transferred from Lewisham Council in a large-scale voluntary transfer on 3 December 2007 following a positive ballot of all tenants and Phoenix started to trade from this date.

Phoenix use the Community Gateway model which places residents at the heart of both decision making and scrutiny. We are led by our residents and we encourage tenants and leaseholders to get involved in a wide range of consultative groups that play a key role in steering our future direction and how we allocate our resources. We also offer shareholding membership to residents, giving them a stake in the organisation.

Phoenix has two subsidiary companies, Phoenix Agency Services Limited, which provides the maintenance service for Phoenix's housing properties, and Home Makers The Property People Limited (Home Makers), established to provide private lettings management. Home Makers commenced trading in November 2018.

Phoenix currently owns and manages 5,337 general needs tenanted properties, an extra care scheme comprising 60 flats and 856 leasehold properties in the Bellingham, Downham and Whitefoot areas of Lewisham in South East London. Since transfer, Phoenix has invested over £160 million in the housing stock funded by £46 million of 'gap' funding from the Department for Communities and Local Government and a £70 million loan facility with Barclays Bank, as well as operating surpluses. This major works and improvement programme commenced in 2008 and all the housing stock has been brought up to the Phoenix standard (which exceeds the Government's Decent Homes Standard). The business model has since evolved to include the development of new homes and regeneration projects and a restructuring of our funding took place in March 2018 to facilitate future growth in new homes.

Phoenix works in partnership with the Council and other agencies to improve the quality of life of people living and working in the Phoenix area. The Green Man head office and community facility opened in November 2013 and has successfully delivered the aims of the building to have a positive impact on the community, with the community hub providing a range of activities: a community café, a branch office for the Lewisham Plus Credit Union and a training kitchen provided by Lewisham Council. There were over 62,000 visitors to the Green Man during the year.

We have made significant investment in IT systems to facilitate the transfer of the management of the repairs service to the subsidiary from the previous contractor, and are making further investment in client relationship management and electronic document record management systems to support continued improvements in customer service and efficiency.

Our bespoke management development programme and customer experience training continued during the year, as part of a wider cultural change programme – 'Aiming Higher'. The programme aims to improve the customer experience for our residents, help staff to be more customer and performance focused, and make Phoenix a great place to work.

Development and performance throughout the financial year and position at the end of the financial year

Following the successful restructuring of our funding completed in March 2018, we agreed a further £15 million of funding in July through the Private Placement with the Pension Insurance Corporation, with drawdown deferred to March 2020 and March 2021. The Private Placement is being used to fund the development of over 200 new homes, as well as prepaying some existing loans in March 2018 and enabling the removal of restrictive covenants.

The new extra care scheme at Hazelhurst Court was fully let during the year and has received a number of awards. The scheme operates in partnership with Lewisham Council as the care commissioners and Notting Hill Housing Trust, who are the care providers.

Current developments on site comprise 24 flats for affordable rent on amenity land adjacent to an existing block at Forster House, 4 new homes on the site of a previously demolished property and 8 homes for shared ownership at Riverpark Gardens. Feasibility work continued during the year on the future development programme of 200 homes and the Board approved an acquisition and works package for a scheme in Catford in May 2019, which will deliver 45 new homes in 2021.

A total of 10 properties were sold through the Preserved Right to Buy (RTB) in the year. Phoenix now retains the net proceeds from RTB sales to invest in the provision of replacement social housing. The Board agreed a programme of purchase and repair of properties in our area funded from the RTB receipts and 12 properties were acquired during the year.

Works continued during the year on the refurbishment of the Fellowship Inn, a listed public house which is located in the heart of our area. The project completed in June 2019 and the refurbished building provides new community resources, including a café, live performance venue and cinema, and training and employment opportunities for local people. A partner has been appointed to operate the commercial leisure uses of the building. The Heritage Lottery Fund provided a grant of £4 million towards the cost of the works and associated activities.

The Board approved a pilot for a private lettings management service under the name 'Home Makers'. The pilot focused on leaseholders who sublet their property as this was one of the promises to leaseholders at transfer. Following a review of the pilot the Board agreed to continue Home Makers and establish it as a new subsidiary able to offer lettings services to other landlords in the Phoenix area. The new subsidiary company commenced trading at the end of November 2018 and made a small loss of £5,000 for the period to March 2019, reflecting the low numbers of properties in management transferred from the pilot in Phoenix. The Home Makers Board has approved a plan to increase the number of properties in management to generate profits and assist in the management of the Phoenix estates.

The programme of major works and improvements to the housing stock continued during the year with total expenditure of £4.5 million to 31 March 2019, principally on external works to street properties.

We continue to monitor the public inquiry into the Grenfell Tower tragedy. We have a thorough and robust approach to fire safety in all of the properties and blocks that we manage and engage an independent company to undertake fire risk assessments in blocks to manage the risks of fire. None of our properties have been fitted with the type of cladding that was used for the Grenfell Tower refurbishment and the majority of blocks are low rise, with only two blocks which are over 18m in height. The Board reviewed and approved an updated fire safety policy during the year and will consider any changes in building requirements that are made as a result of the public inquiry.

A major project (Digital Together) to implement customer relationship management and electronic document and records management systems continued during the year, including procurement of new software and investment in the IT infrastructure. The project aims to deliver more efficient and agile services with all property and customer information maintained in a central database to enable customers to access services through their preferred method at a time to suit them, including through self-service. The first modules are planned to go live in July.

A restructure of the Customer Services and Property and New Business teams was completed in June. The aims of the restructure are to streamline the customer experience function as we approach implementation of the Digital Together project, simplify the Phoenix Repairs Service and Phoenix client structures, align the Property and New Business resources to the current works programmes, and achieve some £300,000 of planned savings to respond to the rent reductions from the Welfare Reform and Work Act. The cost of the restructure (£25,000) was recognised in 2018/19.

During the year Phoenix employed 9 apprentices (including 4 in Phoenix Agency Services) through the Mayor of Lewisham's apprenticeship scheme. A training academy operated by Barking & Dagenham College in partnership with Saint-Gobain and Barnardo's continued to operate from one of the community centres.

Operating performance during 2018/19 was strong, in particular with regard to income collection with over 100% of rent due in 2018/19 being collected. Key performance indicators for general needs housing and leaseholders are shown below.

Performance indicator	2018/19	2017/18	2016/17	2015/16	2014/15	Comment
Tenant satisfaction with Phoenix as a landlord	81%	n/a *	n/a *	82%	n/a *	STAR survey undertaken in 2018 showed tenant satisfaction with Phoenix as a landlord was in the second quartile of landlords in London. *no survey undertaken in the year
Leaseholder satisfaction with Phoenix as a landlord	55%	n/a *	n/a *	42%	n/a *	STAR survey undertaken in 2018 showed an improvement in satisfaction compared to the last STAR survey in 2015. A number of improvements in how we engage with leaseholders have been made. *no survey undertaken in the year
Rent collected as a percentage of gross rent receivable (excluding voids)	100.9%	100.5%	99.9%	99.6%	99.9%	Performance above target of 100%. The Income Team continues to work well with the Council's housing benefit department to respond to the Government's welfare reforms, and provides financial inclusion support to residents.

Performance indicator	2018/19	2017/18	2016/17	2015/16	2014/15	Comment
Leaseholder major works service charges - amounts collected in year	£0.5m	£0.9m	£1.8m	£3.3m	£3.1m	Performance just below target in 2018/19, reflecting focus on income collection combined with support for leaseholders. Collection lower than in previous years reflecting profile of charges for works.
Leaseholder major works service charge arrears	£0.7m	£1.1m	£2.0m	£3.7m	£4.7m	Major works arrears continue to reduce in line with payment plans agreed with leaseholders.
Total number of voids at 31 March	38	29	20	14	25	Increase in number of void properties at end of year, reflecting the impact of 26 properties decanted for future redevelopment. Tenancy turnover remained low at just under 4%.
Average number of days taken to relet a property (short term voids)	23	23	22	23	27	Performance just over target of 22 days.
Responsive repairs completed on time	98%	99%	98%	99%	97%	Performance on repairs has been maintained at high levels throughout the year, and was in line with targets for both completed on time and completed on first visit.
Responsive repairs completed right first time	92%	93%	93%	90%	88%	
Gas safety checks completed on time	100%	100%	100%	100%	100%	Continued 100% of gas safety checks completed within target.
Percentage of homes meeting Decent Homes Standard	100%	100%	100%	100%	100%	Where improvements have been declined by tenants, the property is deemed compliant for the purpose of the Decent Homes Standard.
Average number of days to resolve complaints	16	12	8	8	28	Complaints policy focuses on resolution of complaints. Responses on average took longer than previous years but better than target of 20 days.
Complaints escalated above stage 1	6%	6%	0%	3%	8%	Escalation of complaints remains below the target of 10%.

Current tenant rent arrears reduced to 4.3% as a percentage of rent receivable (4.5% at 31 March 2018), the lowest level achieved by Phoenix since transfer. Former tenant arrears have been maintained at 0.9% of rent receivable following decisions by the Board to write off £147,000 of the arrears owed by former tenants which are not collectable. The reduction of current and former tenant arrears is a continued area of focus while also providing financial inclusion services to residents directly and in partnership with Citizens Advice and the Credit Union.

The Board also agreed the following key performance indicators for the extra care scheme for 2018/19:

Performance indicator	2018/19
Rent collected as a percentage of gross rent receivable (excluding voids)	100.7%
Total number of voids at 31 March	3
Property health and safety compliance	100%
Complaints	1
Safeguarding referral	1

The subsidiary company, Phoenix Agency Services, achieved most of its performance targets for the repairs service to Phoenix as well as delivering a programme of major works for Phoenix.

Financial results including effects of material estimates and judgements upon reported performance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for registered social housing providers (Housing SORP 2018).

The Consolidated Statement of Comprehensive Income on page 33 shows an operating surplus of £8.9 million (2018: £10.9million) on turnover of £33.1 million (2018: £33.2 million). Turnover was similar to 2017/18 due to the impact of the 1% rent reduction in accordance with the Welfare Reform and Work Act and the lower level of recharges to leaseholders for major works, offset by a full year of rent and service charge income from the new extra care scheme.

Operating expenditure increased to £25.8 million (2018: £25.3 million), due to an increase in pension costs associated with changes in accounting for one of the defined benefit schemes and a full year of operating costs for the new extra care scheme.

The operating surplus includes the surplus on property sales from the Preserved Right to Buy and Right to Acquire of £1.5 million (2018: surplus of £3.0 million). Net interest payable of £2.9 million was significantly lower than 2017/18 (£11.9 million) which included break costs and the write off of arrangement fees of £9.5 million arising from the prepayment of loans as part of the restructuring of our funding in March 2018.

Other comprehensive income reflects the impact of there being sufficient information available to account for the Social Housing Pension Scheme (SHPS) career average revalued earnings (CARE) scheme on a defined benefit basis. The difference between the share of the scheme liability and the net present value of Phoenix's deficit funding agreement at 1 April 2018 of £1.1 million has been recognised in other comprehensive income. Other comprehensive income also includes the actuarial gains in the year in respect of the defined benefit pension schemes in which Phoenix participates of £271,000 (2018: gain of £757,000).

The overall surplus for the year was £5.2 million (2018: deficit £0.1 million), the main factor in the substantial increase from 2017/18 being the break costs incurred in 2017/18 noted above.

The Consolidated Statement of Financial Position is shown on page 35. The net book value of housing property was £200.3 million at 31 March 2019 (2018: £191.2 million). Social Housing Grant and other grants of £7.6 million (2018: £6.7 million) received towards the cost of development of new homes is included in creditors. Once the development is complete, the grant is amortised to income over the life of the structure.

Investment properties, which are all freehold, comprise privately let garages. The fair value of the garages has been estimated by the Board using the projected cash flows from the property discounted at a market rate of interest of 7% (2018: 7%).

The Green Man head office and community facility is included under Other Fixed Assets. Part of the building has been sublet to the Lewisham Plus Credit Union for a branch office, Lewisham Council for the provision of a training kitchen and office space for Lewisham Music Services. A commercial lease of part of the Fellowship Inn has been transferred to Other Fixed Assets Under Construction while the project to refurbish the property is undertaken.

Debtors include £0.7 million (2018: £1.1 million) in respect of major works recharged to leaseholders. This has been split between amounts due within one year and after more than one year, the latter where the leaseholder has entered into a repayment agreement. Judgements have been made in determining the appropriate discount rates used in the assessment of the net present value adjustment for repayment agreements for leaseholder debtors. The net present value adjustment at 31 March 2019 was £41,000 (2018: £52,000). The assessment of the bad debt provision in respect of tenant rent arrears has taken into account the impact of the welfare reforms.

The Group participates in two pension schemes, the SHPS CARE and defined contribution structures, and the London Borough of Lewisham local government pension scheme (LGPS) for all participating employees who transferred from Lewisham Council on 3 December 2007. The share of the defined benefit schemes' surplus or deficit is included on the statement of financial position in accordance with FRS102 and was a liability of £2.3 million at 31 March 2019 (2018: £0.9 million). In determining the Group's share of the defined benefit pension schemes' assets and liabilities, the respective scheme actuaries have used estimates of life expectancy, salary growth, inflation and the discount rate for corporate bonds. The increase in the share of pension scheme net liabilities is due to the change to defined benefit accounting for the SHPS CARE scheme, resulting in a charge to other comprehensive income of £1.2 million (gross of the release of the liability recognised for the deficit funding agreement), and the pension service and finance costs (£0.5 million) charged to operating surplus under FRS102, offset by actuarial gains in the year (£0.3 million).

The revaluation reserve of £49.2 million (2018: £49.3 million) arises as a result of the adoption of deemed cost for completed housing properties at 1 April 2014.

The Council agreed that Phoenix can retain the net proceeds from Right to Buy sales with effect from April 2016 on the basis that the proceeds are invested in the provision of social housing. The Board agreed to establish a restricted reserve for this purpose. During the year, the Association sold 10 properties under the Right to Buy of which the amounts transferred to the restricted reserve was £1.5 million (2018: £2.7 million). Twelve properties were purchased during the year, resulting in a transfer of £3.3 million from the restricted reserve to the revenue reserve.

Cash inflows and outflows during the year are set out in the Consolidated Statement of Cash Flows on page 36. The cash inflow from operating activities was £13.9 million (2018: £17.3 million), including sales of property through the Right to Buy which generated £1.8 million (2018: £3.9

million). During the year, the Group spent £12.7 million (2018: £9.8 million) on housing properties and the construction of new homes and £3.4 million (2018: £1.4 million) on other fixed assets, including the Fellowship Inn refurbishment project. Grants received totalled £2.2 million (2018: £2.5 million). Interest payable was £3.0 million, significantly lower than 2017/18 which included the break costs and arrangement fees associated with the early repayment of fixed rate loans. Net debt drawn as a result of planned drawdowns of the private placement was £14.75 million.

The table below presents a summary of financial performance over the last five years:

£000	2018/19	2017/18	2016/17	2015/16	2014/15
Turnover	33,135	33,229	33,423	35,170	34,064
Operating surplus	8,905	10,943	9,092	9,784	6,726
Operating margin %	*27%*	*33%*	*27%*	*28%*	*20%*
Net Interest payable	(2,808)	(2,380)	(2,157)	(2,469)	(2,397)
Break costs and write-off of arrangement fees	-	(9,458)	-	-	-
Surplus/(deficit) for the period before tax	6,097	(895)	6,935	7,315	4,329
Tax (charge)/credit	(38)	27	(33)	21	11
Other comprehensive income – actuarial (losses)/gains on pension schemes	(845)	757	(248)	2,157	(1,426)
Net surplus/(deficit)	5,214	(111)	6,654	9,493	2,914
Housing properties	200,346	191,196	186,339	173,626	165,692
Investment property	185	185	577	569	339
Other fixed assets – tangible assets	10,093	7,562	6,546	6,750	7,020
Other fixed assets – intangible assets	1,341	888	870	1,025	1,299
Net current assets/(liabilities)	13,915	5,588	(149)	339	(403)
Unamortised grant due after more than one year	(4,818)	(4,865)	(263)	(273)	(283)
Other liabilities	(124)	(1,213)	(1,299)	(1,317)	(688)
Loans	(79,503)	(64,763)	(57,583)	(52,800)	(52,768)
Pensions liability	(2,307)	(864)	(1,277)	(822)	(2,614)
Revenue reserves and share capital	88,348	81,394	83,334	77,836	68,269
Revaluation reserve	49,242	49,302	49,443	49,534	49,608
Restricted reserve	1,534	3,218	1,247	-	-
Net cash inflow from operating activities	13,856	17,306	14,206	14,742	12,403
Net interest payable	(3,031)	(2,270)	(2,188)	(2,300)	(2,135)
Break costs and arrangement fees	-	(9,112)	-	-	-
Capital expenditure	(16,023)	(11,237)	(17,278)	(11,971)	(13,508)
Grants	2,200	2,493	700	1,952	2,333
Loans drawn down (net)	14,250	7,000	4,750	-	500
Number of properties					
General needs	5,337	5,335	5,357	5,369	5,388
Supported	60	60	-	-	-
Leaseholders	856	868	856	849	842

Future prospects

Under the Welfare Reform and Work Act, rents for social housing are being reduced by 1% a year for the four years from 2016 with 2019/20 being the final year of the rent reductions. The government has confirmed that social and affordable rents can increase by inflation (as measured by the consumer prices index) plus 1% from April 2020, which is reflected in the Group's financial plan. The plan continues to show that the debt funding can be repaid within its term. The latest valuations of the housing stock, which provides security for debt, is comfortably above the asset cover requirement for the loans.

Key priorities for the next year include: deliver our project to implement customer relationship and electronic document record management systems to maximise efficiency, deliver 'Digital by Choice' options and improve customer experience; complete the regeneration plans for the Fellowship Inn; deliver our approved development programme completing 36 new homes in 2019/20 and buying back 15 more that were previously sold through the Right to Buy; develop our new operational plan for People Services and complete our restructuring proposals to support our future plans; and review our Phoenix standards and set our Corporate Plan for 2020 onwards, using our satisfaction survey of residents and other insight from our community.

Growth aspirations for Phoenix Repairs Service have been reviewed and the subsidiary will focus on becoming the preferred maintenance provider for Phoenix. Home Makers has a business plan which targets growth in the number of properties under management to 500 over the next 5 years. It is intended that a large proportion of future profits will be gifted for the provision of affordable housing to the parent company, Phoenix Community Housing**.**

Description of the principal risks and uncertainties faced

The Board approves the risk strategy and risk appetite, reviewing this at least annually, and ensures that stress testing and multivariate tests of the financial plan are completed. The principal risks that may affect the Group's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly, and are also included in the Corporate Health indicators reviewed by the Board at each meeting.

The principal risks to successful achievement of the Group's objectives are:

Changes in legislation and Government policy

This is a sector wide risk given the proportion of rent paid via housing benefit and the dependency on grant funding for the development of new affordable homes. The Government has confirmed that social and affordable rents can be increased by CPI + 1% from 2020.

The potential impact of 'Brexit' continues to create uncertainty. This risk is being managed by regular monitoring of policy announcements and stress testing of the financial plan.

Rent collection and welfare reform

The roll out of Universal Credit and implementation of other changes to welfare benefits and tax credits will have an increasing impact on our residents. Existing housing benefit recipients are expected to move over to Universal Credit in 2020. We continue to support residents in managing the welfare reforms through information, advice and training and the Board receives regular updates on the welfare reform action plan.

Failure to deliver development programme

Plans for new homes are reviewed by the Development Committee prior to approval by the Board. Separate risk maps are developed for each project and progress is monitored by the Development

Committee. There is ongoing assessment of the potential impact of Brexit on contractors and their supply chains and additional resources for the development team to support delivery of the strategy have been recruited.

Data Protection breach and non-compliance with the General Data Protection Regulation

New data protection regulations (the General Data Protection Regulation (GDPR)) came into effect from May 2018 which include potentially significant fines for material breaches. The Board has agreed updated policies on data protection and security, and staff have received specific training on GDPR. A working group supported by an external Data Protection adviser is co-ordinating the actions required to maintain compliance.

Breach of Health & Safety legislation

Phoenix as a landlord and employer has considerable health and safety responsibilities. The Board receives quarterly performance information on health and safety matters and independent audits are undertaken of the systems to manage this risk for Phoenix Repairs Service. This risk continues to be reviewed in the light of the Grenfell Tower tragedy and the actions taken to date in response to it.

Underfunding of pension schemes

Phoenix is a member of two defined benefit pension schemes which are closed to new members. There are financial risks associated with defined benefit schemes as the employer ultimately has to fund the scheme deficit. The increase in the contribution rate is outside the employer's control, the main source of uncertainty being the development of the schemes' financial position over time which is affected by movements in stock markets and interest rates. The Human Resources Committee is overseeing a strategic review of these long term risks supported by actuarial advisers.

Failure to deliver Value for Money results in waste and lost opportunities and/or regulatory intervention

The Regulatory Framework includes a standard on Value for Money. The Board has agreed a value for money strategy, supported by an action plan and considers the results of benchmarking through Housemark as well as the value for money metrics set by the Regulator.

Inadequate recruitment and retention of key skills at Board level leads to governance failure

The Board monitors progress against an agreed governance effectiveness action plan and reviews its skills and experience through annual Board member appraisals.

Failure to regenerate the Fellowship Inn as set out in the Heritage Lottery Bid

The target date for completion of the Fellowship Inn project was 31 March 2019. Practical completion of the refurbishment works took place in May 2019 and the commercial leisure use part of the building was handed over to the commercial operator in June. The tenant for the social purpose part of the building is expected to take up their lease in August. The Heritage Lottery Fund has agreed a revised target date for completion of the project of September 2019.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk, covenant risk and counterparty risk. The use of financial derivatives is governed by the Group's Treasury Management Policy approved by the Board. The Group does not use derivative financial instruments for speculative purposes.

The Group finances its operations through a mixture of retained surplus and debt. The Group borrows at both fixed and floating rates of interest. It does not borrow in foreign currencies.

Phoenix has a loan facility of £40 million (2018: £40 million) provided by Barclays Bank PLC and has also raised £75 million (2018: £60 million) through a Private Placement with the Pension Insurance Corporation (PIC), of which £15 million is deferred.

The Association had drawn debt of £80 million at 31 March 2019. In addition to the scheduled drawdowns of £15 million in March 2020 and March 2021 from the Private Placement, Phoenix has £20 million available to be drawn from the Barclays loan facility for future development. The loan facility and Private Placement are secured on the Association's housing stock.

Phoenix Repairs Service and Home Makers have no borrowings or loan facilities.

The Group's policy is to keep between 50% and 100% of its borrowings at fixed rates of interest. At 31 March 2019, 100% (2018: 92%) of the Group's borrowings were at fixed rates. The fixed interest rates range from 3.5% to 5.1%.

The treasury management policy requires there to be sufficient cash and undrawn funds to meet the Group's commitments for the next 12 months plus a 25% contingency. The current availability of funds including cash at 31 March 2019 of £19.6 million (2018: £6.8 million) significantly exceeds this target. The undrawn bank facilities are revolving credit facilities, allowing the Group to manage short-term cash requirements effectively. At 31 March 2019, the Association's exposure to refinance risk within one year was £nil (2018: £nil).

The Group's principal financial assets are bank balances and cash, rent arrears, service charge arrears including major works, and other receivables. The credit risk is primarily attributable to rent and service charge arrears and the amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.

At 31 March 2019, the Group had £6.4 million (2018: £10.6 million) of contracted capital commitments which will be funded by a combination of operating surpluses, capital grants and planned drawdown of loans under the Association's debt facilities.

The Association has agreed financial covenants with its lenders in respect of interest cover, debt per unit and asset cover. For the year to 31 March 2019, the Association met these financial covenants.

Going concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to credit, liquidity and cash flow risk are described above.

The Group has considerable financial resources and, as a consequence, the Board believe that the Group is well placed to manage its business risks successfully.

After reviewing the budget for 2019/20, cash flow forecasts and the long term financial plan, and based on its knowledge of development and other commitments and the level of secured loan facilities, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Value for Money

The Regulatory Framework for Social Housing includes a specific standard for Value for Money. Our regulator, the Regulator of Social Housing, requires registered providers to:

a. clearly articulate their strategic objectives;
b. have an approach agreed by their Board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders;
c. through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs; and
d. ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

The Board has approved the vision and strategic objectives for Phoenix as set out on page 7. The Board reviewed and approved in March 2019 the strategic priorities and key projects for 2019/20.

The Board reviewed and approved changes to the Value for Money Strategy in September 2018. The Value for Money Strategy aims to deliver more social value by reinvesting surpluses and improving service outcomes. The key objectives of the strategy are:

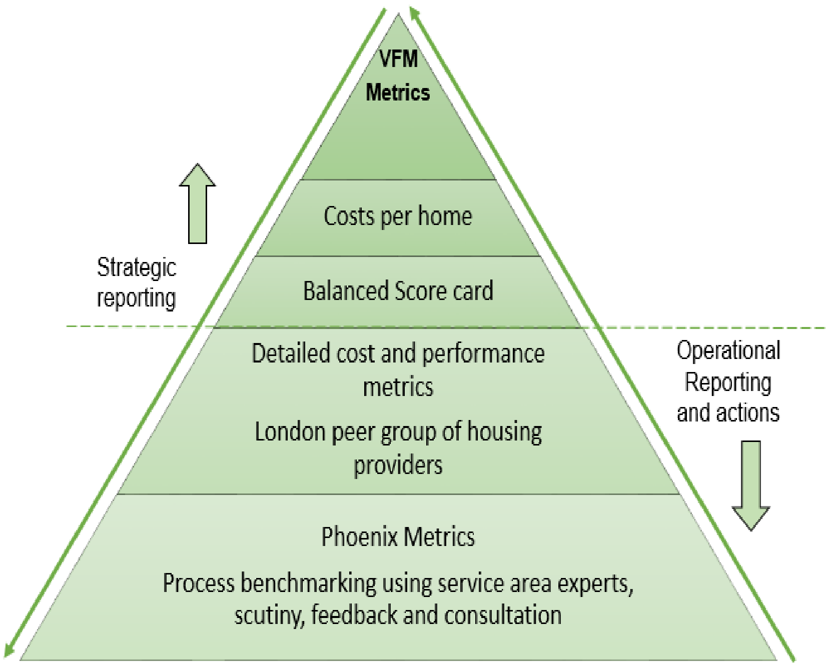
- a robust approach to making decisions on the use of resources to deliver our objectives;
- to understand the return on our assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money;
- performance management and scrutiny functions which are effective at driving and delivering improved value for money performance; and
- to understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

The corporate planning and budget framework is designed to ensure that objectives are prioritised and resources are focused on achieving them, recognising the need to balance factors such as available resources, risks and health and safety and other legal requirements. The Board monitors performance against corporate plan and KPI targets and financial performance compared to budget.

The Board and Executive Team consider a rigorous appraisal of options for improving performance and delivering strategic objectives, examples of which for 2018/19 include the review of the Customer Services and Property and New Business structures, the facilities management arrangements for the Green Man and the launch of the purchase and repair programme, as well as appraisal options for void properties.

Value for Money benchmarking

Our approach to benchmarking is set out below:



The Regulator has published a number of metrics designed to measure economy, efficiency and effectiveness on a comparable basis across the sector. The results of the Group for 2018/19 compared to 2017/18 and the budget for 2019/20 are set out in the table below, including comparisons to our peer group of London associations for 2017/18, the latest available information.

Value for Money Metrics

better than median performance 2017.18 compared to peer group (London associations) (green)
worse than median performance 2017.18 compared to peer group (London associations) (red)

		Actual 2017/18 £'000	Actual 2018/19 £'000	Budget 2019/20 £'000	Trend	*Median (London associations)*	Comment
1	Reinvestment %	4.9%	6.5%	10.7%	↑	*5.7%*	Increase from 2017/18 reflects major works profile and purchase and repair programme; 2019/20 reflects expansion of development programme
2a	Number of new homes acquired or delivered in the year as a % of home owned	1.02%	0.19%	0.81%	↔	*1.4%*	2017/18 included extra care scheme; 12 purchase and repair properties acquired in 2018/19 with other developments in progress
2b	New supply delivered - non-social housing	0%	0%	0%		*0%*	No completions of non-social housing
3	Gearing %	29.8%	29.9%	32.2%	↑	*34.4%*	includes deferred drawdown of private placement
4	EBITDA MRI interest cover %	70%	239%	236%	↔	*212%*	2017/18 low ratio due to interest payable including break costs on restructuring of funding
5	Social housing cost per unit	4,496	4,686	4,627	↔	*5510*	2018/19 increase primarily due to increase in major works expenditure; 2019/20 forecast to reduce due to operating cost savings
6a	Operating margin (social housing lettings only) excluding surplus on disposal of assets	25.5%	25.6%	24.9%	↓	*29.2%*	Lower operating margin than majority of peer group due to low rents
6b	Operating margin excluding surplus on disposal of assets	23.8%	22.2%	23.7%	↔	*29.1%*	Lower operating margin than majority of peer group due to low rents
7	Return on capital employed	5.3%	3.9%	4.7%	↓	*3.7%*	Decrease from 2017/18 due to lower RTB sales

The principal activity of the Group is the provision of social housing, mainly general needs. Non-social housing activities are limited to the management and maintenance of leaseholder properties (as part of the original stock transfer) and some limited commercial assets and private lettings management which are not material to the Group. Under legislation governing the management of leaseholder property it is not possible to undertake this activity for a profit.

Reinvestment and new supply

Our corporate objectives include growing in size through the development of new homes and services. There are currently over 1,700 homeless Lewisham households in temporary accommodation and over 9,500 households on the Lewisham Council waiting list for social housing. Demand for homes designed to meet the needs of older people is also expected to increase, with an estimated 1 in 6 people in England aged over 70 by 2030. The Hazelhurst Court extra care scheme helps to address a shortage of accommodation meeting such needs in our area.

The new homes we are currently building are a mixture of London Affordable Rent and shared ownership, and these are forecast to complete in 2019. Feasibility work is also progressing on the future development programme of 200 additional homes approved by the Board. The programme covers a range of tenures, including a small element for outright sale to increase the homes we can build for London Affordable Rent. This programme will be delivered over the next four years.

Having brought the transfer housing stock up to decent homes standards we continue to invest in the existing stock to sustain its quality. The Board has also approved a small programme of purchase and repair of homes for sale on the open market in our area, addressing the loss of homes for social rent through the Right to Buy, which is funded from the retained proceeds from the Right to Buy sales. We acquired 12 properties in 2018/19 and are planning to acquire a further 15 in 2019/20.

Our work on tenancy fraud resulted in five properties being returned to us so that they could be relet for social housing.

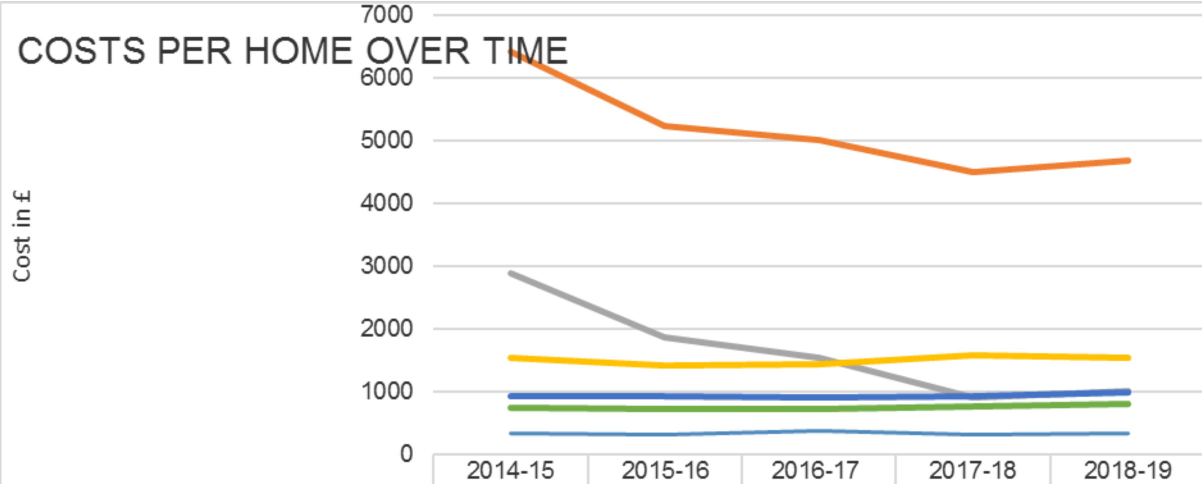
We piloted and reviewed a private lettings management scheme (Home Makers) and established this as a separate subsidiary in order to grow this business during 2019/20. The Phoenix Board will monitor the performance of the new Home Makers subsidiary, including the number of properties in management and profit compared to target for 2019/20.

Gearing
The gearing ratio reflects a prudent approach to funding while the major works related to the stock transfer were completed. The gearing ratio is projected to increase to 32% following the deferred drawdown from the Private Placement in 2019/20 to fund the additional development noted above.

EBITDA MRI interest cover
The ratio for 2018/19 has improved compared to 2017/18 as the net interest costs for that year included the break costs associated with the restructuring of our funding to support new development. The ratio is in the upper quartile compared to our peer group.

Social housing cost
A key part of demonstrating Value for Money is to understand our absolute costs and how our costs compare to other social housing organisations, allowing for our local context, and the performance and outcomes that we are seeking to achieve.

In addition to the Value for Money metrics above, the Regulator publishes a cost per home analysis of all registered housing associations. Using this analysis our costs have decreased over time which is illustrated in the graph below.



	2014-15	2015-16	2016-17	2017-18	2018-19
Total cost per home RSH method	6424	5242	5020	4503	4686
Major repairs cost per home	2885	1860	1546	901	1020
Maintenance cost per home	1532	1415	1440	1582	1543
Management cost per home	925	930	914	931	988
Service cost per home	744	732	734	773	797
Other social housing costs per home	339	305	386	315	338

The table below compares our cost data to the median of London based Associations (consolidated) with more than 1,000 Social Housing homes for 2017/18 (the latest available data):

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Headline social housing cost per home	Upper quartile (lowest cost)	See commentary below.	See commentary below.
Management cost per home	Between median and upper quartile	The more detailed benchmarking of costs via Housemark confirms that we provide an efficient housing management service.	The Digital Together project to implement client relationship management and electronic data record management systems will enable further efficiencies to be made in the delivery of services.
Service Charge cost per home	Median	Service costs include water rates where we act as an agent on behalf of the utility company. Excluding water rates our service costs are in the upper quartile (lowest cost). Service costs increased in 2018/19 due to the full year impact of the new extra care scheme.	The majority of service costs are covered by service charges to residents.

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Maintenance cost per home	Between median and lower quartile	The more detailed benchmarking of costs via Housemark confirms that the cost of void works is high, reflecting the extent of work required to properties, including garden clearance, to meet our void standard.	The budget for 2019/20 reflects further savings in responsive repairs arising from expanding the scope of the repairs service provided by the subsidiary.
Major repairs cost per home	Between median and lower quartile	Major repairs costs per property have reduced over time as the transfer commitments are met.	The asset management system drives the programme of works for the future.
Other social housing costs per home	Between median and upper quartile	This includes the cost of our community regeneration activities and development feasibility costs which cannot be capitalised.	The budget for 2019/20 reflects a continuing commitment to support community regeneration activities at 2.8% of operating costs.

Operating margin
Our social housing lettings operating margin (excluding the surplus on disposal of assets) was maintained at 26% in 2018/19. The operating margin remains below the median of our peer group, reflecting the lower rents inherited from the Council at transfer and limitations on rent increases since then. If Phoenix were able to charge the formula rents plus the 5% tolerance permitted by the previous rent framework for all our properties, our turnover would be £1.5 million higher and the operating margin would be 31%.

Return on capital employed
The return on capital employed decreased in 2018/19 due to the lower number of Right to Buy sales, which are outside the Association's control. The return is forecast to increase in 2019/20 due to grant funding being taken to income on completion of the Fellowship Inn project.

The vast majority of the Group's assets are social housing properties. The financial return reflects the requirement under the Transfer Agreement and our charitable objectives to let our properties at social rent, which is significantly below the market rate.

In addition to this metric, the Asset Management Strategy recognises the need to assess the performance of properties, in terms of their economic and social return, at a 'granular' (detailed) level. The asset management system provides a detailed analysis to enable an assessment of a property's return to inform future decisions to invest in properties or consider alternative use, including disposal, to support the strategy. There is one property with a small negative net present value which has been specially adapted for the tenant. The system also helps to plan future programmes of major works and component replacements.

Phoenix is investing £4.8 million in the Fellowship Inn project and related community regeneration activities, supported by £4.3 million of Heritage Lottery and other grants. The project includes both commercial and social aspects and the commercial element is expected to provide a commercial return.

Social return on assets

One of the primary objectives for Phoenix when it was established in 2007 was to improve the housing stock transferred from Lewisham Council. Phoenix has carried out £160 million of major works and improvements to the housing stock since transfer in accordance with the offer document and transfer agreement with Lewisham Council. This investment has resulted in 100% of homes achieving the Phoenix Standard (which exceeds the Government's Decent Homes Standard). There is strong demand for Phoenix housing stock and the number of void properties and amount of rent loss through voids has significantly reduced from the position at transfer and has been maintained at the top quartile for our peer group for the last five years.

The Green Man head office and community facility provides access to services for residents in the heart of the Phoenix area and is also key to driving the wider regeneration of the area. The investment in community facilities and initiatives is part of our Community Regeneration Strategy. A relatively small investment can help to transform an individual's life and also improve a neighbourhood.

The total cost of our community empowerment and regeneration activities in 2018/19 was £616,000 net of income received, around 2.5% of total operating costs (£543,000 net of income in 2017/18; 2.2% of total operating costs). We used the Social Return on Investment (SROI) model and the Housing Association Charitable Trust (HACT) model to assess the return on some of our activities during the year. The majority achieved a range of positive returns of from £3 to £13 per £1 invested, dependent on numbers reached and external grants received. The results are used to plan activities in the future and maximise future outcomes.

Value for money gains

In last year's statement we set out the key value for money initiatives for 2018/19. In total, we achieved value for money gains of just over £180,000 against target savings of £400,000. The major factor in the gains achieved being below target were the timing of the restructures for Customer Services and Property and New Business, which completed in June 2019. Key value for money gains include:

- rent collection higher than target (£167,000), as well as supporting residents to obtain an additional £601,000 of income in benefits or grants;
- full implementation of the service charges introduced to cover the cost of door entry systems and lifts (£56,000);
- 'green' waste was being disposed of for £100 per ton. Following a tendering exercise a green waste site was identified which will take waste for £50 per ton;
- reprocured design, print and production saving £5,000; and
- grant towards energy advice for residents (£5,000).

In addition to the social returns noted above, other non-cash value for money gains included training one of our leaseholders to support residents to reduce their energy costs, providing 403 advice sessions.

The Value for Money gains including those from previous years have been invested as follows:

- funding for the development of new homes;
- reducing our operating costs in response to the reduction in social rents required by the Welfare Reform and Work Act; and
- meeting additional costs regarding fire safety works as well as other costs such as the impact of the General Data Protection Regulation.

Future plans
Our Corporate Plan includes a number of initiatives to further reduce our operating costs to achieve our financial plan projections. The budget for 2019/20 reflects further savings of £350,000 with key initiatives being:

- the Digital Together project providing efficiencies and enhanced digital access for residents;
- savings from the restructures of Customer Services and Property and New Business completed in June 2019;
- tender of facilities management services at the Green Man; and
- growing the private lettings management business so that Home Makers can gift aid profits to Phoenix Community Housing.

The budget includes £275,000 for environmental works (including £200,000 as part of the Forster House development scheme) which includes provision for the scoping of a future fencing and environmental works programme for Board review.

The Board confirms that it has received assurance that the Value for Money standard is being met and there is evidence of continuous improvement in meeting the standard.

Statement on System of Internal Control

The Board is ultimately responsible for Phoenix's system of internal control and for reviewing its effectiveness. This process is ongoing and has been in place throughout the period from 1 April 2018 to the date of approval of these financial statements. The system of internal control is designed to manage, rather than eliminate, the risk of failure to meet corporate objectives. The system is also designed to give reasonable assurance that financial and management performance information is reliable and that the Group's assets are safeguarded. It can provide reasonable, but not absolute assurance against the possibility of material misstatement or loss.

Key procedures have been established and are designed to provide effective internal control. These key areas cover control, reporting information systems, monitoring and risk management.

The Board undertook a review of its risk management framework and risk management strategy in May 2018. The Board sets the risk appetite and reviews this at least annually and ensures that stress testing and multivariate tests of the financial plan are completed. The principal risks that may affect the Group's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly, and are also included in the Corporate Health indicators reviewed by the Board at each meeting.

The Executive Team is responsible for reporting to the Board on any significant changes affecting key risks and all projects and reports to the Board and Committees include an analysis of the relevant risks, how they impact on the approved risk appetite and mitigating actions. A toolkit has been developed to support managers in implementing the risk strategy.

The system of internal control established by the Board consists of:

- sound corporate governance arrangements including the adoption of the NHF's Code of Governance;
- a long term financial plan and corporate plan with specific targets and objectives;
- an organisational structure with clearly defined lines of responsibility and delegations of authority. These are set out in Standing Orders and Financial Regulations and detailed policies and operational procedures;

- an ongoing programme in place for reviewing all key policies, in consultation with residents through a policy working group, on a regular cycle to ensure that they are effective and reflect the latest legislation and regulatory requirements;
- a staff and Board code of conduct;
- a staff appraisal process including appropriate training and development opportunities;
- preparation of monthly management accounts incorporating revised forecasts which allow the Board and management to monitor financial performance. Significant variances from budgets are investigated and reported;
- a performance report including key performance indicators for review by the Executive Team on a monthly basis and by the Board on a quarterly basis. The format of this report has been reviewed and changes agreed by the Board, including KPI targets and tolerances outside of which a detailed report explaining the action being taken is required;
- all significant new initiatives, major commitments and investment projects being subject to approval by the Board; and
- contingency planning arrangements to ensure the security of data, the ability to recover computer systems and maintain services in the event of major interruption.

Process for reviewing the effectiveness of the Internal Control System

The Board has established a process to review and gain assurance on the effectiveness of the system of internal control. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed. The framework comprises different sources of assurance, the most significant ones being reports from the internal auditors, external auditors, the Executive Team, the Audit Committee and the Resident Scrutiny Panel. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

- the Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury management strategy and new investment projects;
- the Board regularly reviews key performance indicators to assess the progress towards the achievement of key targets and progress against the corporate plan;
- the Group has in place an Internal Audit Plan and a risk based approach to internal audit reviews. The plan covers financial and non-financial areas. The Audit Committee monitors progress on agreed actions to address recommendations arising from these reviews. Additionally, the Internal Auditors follow up previous recommendations and the extent to which these have been implemented;
- a review of complaints is undertaken and the results reported to the Board;
- there is a comprehensive set of financial and operating policies and procedures covering all aspects of the business;
- the Audit Committee presents its Annual Report to the Board outlining its work during the year to support the assurance work on internal controls; and
- the Board receives an annual report from the Chief Executive outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal control.

The Board has approved a fraud policy covering prevention, detection and reporting of fraud and the recovery of assets, supported by a confidential reporting policy and fraud response plan. Details of identified frauds are maintained in a fraud register, which is reviewed quarterly by the Audit Committee.

There are no significant internal control issues that require disclosure in the financial statements.

Disclosure of Information to the Auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the auditors were unaware; and
- that director had taken all steps that they ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the auditors were aware of that information.

Auditor

A resolution to reappoint the auditor, KPMG LLP, will be proposed at the next Annual General Meeting in September 2019.

On behalf of the Board
Anne McGurk
Chair

Date: 25 July 2019

Statement of the Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to Phoenix Community Housing Association

Opinion

We have audited the financial statements of Phoenix Community Housing ("the Association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and the Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Association as at 31 March 2019 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as those related to the development programme and the Local Government and Social Housing Pension Schemes, and related disclosures, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group and Association's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group and Association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Association will continue in operation.

Other information

The Association's Board is responsible for the other information, which comprises the Board's Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 29, the Association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Association'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 it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 Association as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Lees
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
Date: 30 August 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
TURNOVER	4	33,135	33,229
Operating expenditure	4	(25,765)	(25,306)
Other income		-	-
Gain on sale of property, plant and equipment	8	1,535	3,020
OPERATING SURPLUS	4	8,905	10,943
Interest receivable	9	64	29
Interest payable and financing costs	10	(2,872)	(11,867)
SURPLUS/(DEFICIT) FOR THE YEAR BEFORE TAXATION	5	6,097	(895)
Tax (charge)/credit on surplus/(deficit) on ordinary activities	11	(38)	27
SURPLUS /(DEFICIT) FOR THE YEAR		6,059	(868)
OTHER COMPREHENSIVE INCOME			
Initial measurement of defined benefit liability	30(c)	(1,116)	-
Actuarial gain on pension schemes	30(a)	271	757
TOTAL COMPREHENSIVE INCOME		5,214	(111)

All amounts relate to continuing activities.

The financial statements were approved by the Board on 25 July 2019 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2019

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2017	83,331	49,443	1,247	134,021
Deficit for the year	(868)	-	-	(868)
Actuarial gain	757	-	-	757
Transfer between reserves	(1,830)	(141)	1,971	-
Balance at 31 March 2018	81,390	49,302	3,218	133,910
Surplus for the year	6,059	-	-	6,059
Initial measurement of defined benefit liability	(1,116)	-	-	(1,116)
Actuarial gain	271	-	-	271
Transfer between reserves	1,744	(60)	(1,684)	-
Balance at 31 March 2019	88,348	49,242	1,534	139,124

All amounts relate to continuing activities.

Revenue reserve represents the accumulated surplus on the Statement of Comprehensive Income.

Revaluation reserve comprises the revaluation gain arising from the adoption of deemed cost for completed freehold housing properties.

Restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing.

Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 £000	2018 £000
FIXED ASSETS			
Housing properties	12	200,346	191,196
Investment properties	13	185	185
Other fixed assets – intangible assets	14	1,341	888
Other fixed assets – tangible assets	15	10,093	7,562
		211,965	199,831
CURRENT ASSETS			
Properties for sale	16	588	-
Stock and work in progress	17	88	85
Trade and other debtors	18	5,673	5,819
Cash and cash equivalents	19	19,620	7,804
		25,969	13,708
CREDITORS: Amounts falling due within one year	20	(12,054)	(8,120)
NET CURRENT ASSETS		13,915	5,588
CREDITORS: Amounts falling due in more than one year	21	(84,445)	(70,641)
Pension liability	30(a)	(2,307)	(864)
NET ASSETS		139,128	133,914
CAPITAL AND RESERVES			
Non-equity share capital	25	4	4
Revenue reserve		88,348	81,390
Revaluation reserve		49,242	49,302
Restricted reserve		1,534	3,218
		139,128	133,914

The financial statements were approved by the Board on 25 July 2019 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
NET CASH GENERATED FROM OPERATING ACTIVITIES	27	13,856	17,306
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(12,666)	(9,788)
Purchase of other fixed assets		(3,357)	(1,449)
Grants received		2,200	2,493
Interest received		64	9
		(13,759)	(8,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid		(5,250)	(33,000)
Loans received		20,000	40,000
Interest paid		(3,031)	(11,382)
		11,719	(4,382)
NET CHANGE IN CASH AND CASH EQUIVALENTS		11,816	4,189
CASH AND CASH EQUIVALENTS AT 1 APRIL		7,804	3,615
CASH AND CASH EQUIVALENTS AT 31 MARCH		19,620	7,804

Association Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
TURNOVER	4	33,618	33,708
Operating expenditure	4	(26,287)	(25,599)
Other income		-	-
Gain on sale of property, plant and equipment	8	1,535	3,020
OPERATING SURPLUS	4	8,866	11,129
Interest receivable	9	64	29
Interest payable and financing costs	10	(2,849)	(11,842)
SURPLUS/(DEFICIT) FOR THE YEAR	5	6,081	(684)
OTHER COMPREHENSIVE INCOME			
Initial measurement of defined benefit liability	30(c)	(1,116)	-
Actuarial gain on pension schemes	30(b)	228	533
TOTAL COMPREHENSIVE INCOME		5,193	(151)

All amounts relate to continuing activities.

The financial statements were approved by the Board on 25 July 2019 and were signed on its behalf by:

Anne McGurk
Chair

Mark Gayfer
Board Member

Chris Starke
Secretary

Association Statement of Changes in Reserves

For the year ended 31 March 2019

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2017	83,862	49,443	1,247	134,552
Deficit for the year	(684)	-	-	(684)
Actuarial gain	533	-	-	533
Transfer between reserves	(1,830)	(141)	1,971	-
Balance at 31 March 2018	81,881	49,302	3,218	134,401
Surplus for the year	6,081	-	-	6,081
Initial measurement of defined benefit liability	(1,116)	-	-	(1,116)
Actuarial gain	228	-	-	228
Transfer between reserves	1,744	(60)	(1,684)	-
Balance at 31 March 2019	88,818	49,242	1,534	139,594

All amounts relate to continuing activities.

Revenue reserve represents the accumulated surplus on the Statement of Comprehensive Income.

Revaluation reserve comprises the revaluation gain arising from the adoption of deemed cost for completed freehold housing properties.

Restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing.

Association Statement of Financial Position

As at 31 March 2019

	Note	2019 £000	2018 £000
FIXED ASSETS			
Housing properties	12	200,346	191,196
Investment properties	13	185	185
Other fixed assets – intangible assets	14	1,341	864
Other fixed assets – tangible assets	15	10,093	7,509
Investment in subsidiary undertaking	33	625	600
		212,590	200,354
CURRENT ASSETS			
Properties for sale	16	588	-
Trade and other debtors	18	5,614	6,118
Cash and cash equivalents	19	19,008	6,784
		25,210	12,902
CREDITORS: Amounts falling due within one year	20	(12,363)	(8,170)
NET CURRENT ASSETS		12,847	4,732
CREDITORS: Amounts falling due in more than one year	21	(84,445)	(70,641)
Pension liability	30(b)	(1,394)	(40)
NET ASSETS		139,598	134,405
CAPITAL AND RESERVES			
Non-equity share capital	25	4	4
Revenue reserve		88,818	81,881
Revaluation reserve		49,242	49,302
Restricted reserve		1,534	3,218
		139,598	134,405

The financial statements were approved by the Board on 25 July 2019 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Notes to the Financial Statements

For the year ended 31 March 2019

1 Statutory Information

Phoenix is incorporated under the Co-operative and Community Benefit Societies Act 2014 (30057R). It is a Registered Provider of Social Housing registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008, registered number L4505.

Disclosure of Phoenix's principal activities and nature of operations is set out in the Board report.

2 Compliance with Accounting Standards

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Statement of Recommended Practice for registered social housing providers (Housing SORP 2018). A summary of the more important accounting policies is set out below. There were no material departures from the standard and the Housing SORP.

The financial statements present information about the Association as an independent undertaking and its group. The financial statements consolidate the accounts of the Association and its subsidiary undertaking using the purchase method. The presentation currency is sterling. The financial statements have been prepared on the historical cost basis as modified by the adoption of the valuation of completed freehold housing properties at 1 April 2014 as deemed cost.

(a) Transfer of housing stock

The transfer of properties from the London Borough of Lewisham was for nil consideration. The Board recognised this as an acquisition of assets and liabilities, after considering that a minority of staff transferred to Phoenix under TUPE rules, central administrative functions were required to be set up and no other assets were transferred.

(b) Goodwill

The transfer of staff from the repairs contractor to the subsidiary undertaking, Phoenix Agency Services, has been treated as an acquisition and the excess of the fair value of the assets and liabilities acquired compared to consideration paid has been capitalised as goodwill. Goodwill is depreciated on a straight-line basis to the income statement over its estimated life of five years starting from the date the subsidiary commenced trading.

(c) Property, plant and equipment

Housing properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period, as well as directly incremental overhead costs and staff time associated with new developments, improvements and component works.

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the expected useful life which has been set taking into account professional advice and the requirements of the Decent Homes Standard. The net book value of the component replaced is written off.

Freehold land is not depreciated. Depreciation is charged on a straight-line basis over the expected useful economic lives of the structure and major components to write off the cost at the following annual rates:

Component	**Useful Life (years)**
Bathroom	**30**
Boiler	**15**
Central Heating System (excluding Boilers)	**30**
Doors	**30**
Windows	**30**
Kitchen	**20**
Wiring	**30**
Roofs – Pitched	**60**
Roofs – Flat	**40**
Lifts	**30**
Structure	**100**

Additions to housing properties under construction as a result of development activity are disclosed as “additions” in the fixed asset note. Costs are capitalised from the point a commitment to develop a scheme is approved. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting.

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided when an asset is brought into use and is charged over the expected useful economic life of the fixed asset to write off the cost less estimated residual value over the following periods:

Office furniture and equipment	4 years
Computer equipment	4 years
Motor vehicles	4 years
Freehold offices	50 years

(d) Grants

Grants are recognised in the financial statements when the conditions for payment are met. Social Housing Grant (SHG) is repayable under certain circumstances, primarily following the sale of a property supported by SHG but this will normally be restricted to the net proceeds of the sale.

Government grants relating to assets are recognised in the Income Statement on a systematic basis over the expected useful economic life of the asset under the accrual model. Grants received for the development of housing properties are recognised in income over the expected useful economic life of the structure. Other grants are accounted for using the performance model and taken to income when the conditions for payment are met.

Grants relating to revenue are recognised as income on a systematic basis on the same basis as the expenditure is incurred.

(e) Investment properties

Investment properties are measured at cost on initial acquisition and subsequently at fair value at the reporting date, based on the advice of professional valuers or using projected cash flows discounted at a market rate of interest. Changes in fair value are recognised in the Income Statement. Investment properties are not depreciated.

(f) Intangible assets

Intangible assets are stated at historic cost less accumulated amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost of the asset over its expected useful life as follows.

Computer software	4 years

(g) Impairment

Fixed assets (mainly housing properties) are assessed at each period end for impairment. Where an indicator of impairment is identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount, being the higher of value in use and fair value less costs to sell. For housing properties held for their service potential, the value in use is determined by reference to depreciated replacement cost. Where the carrying amount is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. The resulting impairment loss is recognised as expenditure in the Income Statement.

(h) Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal, which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within fixed assets. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to the first tranche.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income in the period in which the disposal completes, and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

(i) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less costs to complete.

(j) Interest

Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the loan. Interest on loans is capitalised in housing properties to the extent it relates to financing new development and accrues in respect of the period of development. Interest on loans financing regeneration works is expensed in the year that it is incurred.

(k) Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historical cost model. Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being included in the Income Statement.

Debtors are measured at transaction price, less any impairment, unless the arrangements constitute a financing transaction. Arrangements constituting a financing transaction, such as amounts due from leaseholders which are subject to a repayment agreement, are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Direct costs incurred in connection with the issue of a basic financial instrument are deducted from the proceeds of the issue, and amortised over the life of the instrument.

(l) Long term employee benefits

The Group participates in the London Borough of Lewisham local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Phoenix Community Housing also participates in the Social Housing Pension Scheme (SHPS) career average revalued earnings (CARE) defined benefit scheme which is a multi-employer scheme. For financial years ending on or after 31 March 2019, the way in which an employer’s defined benefit pension obligation in SHPS is stated in its financial statements has changed to the defined benefit accounting basis.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

The CARE scheme was closed to new members during 2014/15 and new staff enrolled into the SHPS defined contribution scheme. The charge to income in respect of the defined contribution scheme represents the employer contributions payable to this scheme for the accounting period.

(m) Short term employee benefits

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

(n) Service charges

Any under or over recovery of amounts due from leaseholders is reflected as a debtor or creditor respectively.

(o) Disposal Proceeds Fund

The net proceeds on the sale of the properties made under the Right to Acquire were required to be credited to a disposal proceeds fund for such disposals to 31 March 2017. Within the terms defined by the Regulator, the fund is to be used to provide replacement properties for rent.

(p) Taxation

The Association has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities. Tax is chargeable on the activities of the subsidiary undertakings.

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the reporting date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Deferred tax is measured at the tax rates expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted or substantially enacted at the Statement of Financial Position date. Any assets and liabilities recognised have not been discounted.

(q) Value Added Tax

Phoenix charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

(r) Investments

The investment in subsidiary undertakings is measured at cost at initial acquisition less any provision for impairment.

(s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

(t) Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and other income, including revenue grants and amortisation of deferred capital grants. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

(u) Restricted reserve

The restricted reserve represents the proportion of Right to Buy (RTB) sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing. Transfers to the reserve are based on the calculation of the share of the RTB sale proceeds previously payable to the Council as set out in the Transfer Agreement. Transfers to the reserve are made when the RTB sale is completed. Transfers from the reserve are based on the funding required, net of any attributable grant, for a social housing development or purchase. Transfers are made at the point a commitment to the social housing development or purchase becomes unconditional.

(v) Going concern

After reviewing the budget for 2019/20, cash flow forecasts and the long term financial plan, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

3 Significant management judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with FRS102 requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are considered to be reasonable in the circumstances.

Judgements:
The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

(a) Deemed cost

The Association has taken advantage of the transitional relief set out in FRS102 and adopted a valuation of its completed freehold housing properties as at 1 April 2014 as deemed cost. The valuation is based on the revaluation of the housing properties at 31 March 2014 undertaken by the Association's valuer, Jones Lang LaSalle, using the existing use valuation for social housing method (EUV-SH).

In determining the adjustments to reserves as a result of the adoption of deemed cost, the Association has accounted for all related grant at 1 April 2014 under the performance model and therefore these amounts are included in the revenue reserve.

The SORP refers to "movements in the revaluation of housing properties should be allocated to the land and structure pro rata to their historical depreciated cost net of government grant." In Phoenix's case, no cost was allocated to land for the transfer stock, so following the SORP would result in all the uplift in value being allocated to structure, which the Board does not consider appropriate or reflective of the situation that land values have increased since transfer. The allocation of deemed cost to land, structure and components has been based on the advice of the Association's valuers, as follows:

	Proportion of value	£000
Land	45.0%	69,300
Structure and roofs (see below for allocation)	27.5%	42,350
Other major components (existing net book value)	27.5%	42,350
Total (EUV-SH at 31 March 2014)	100.0%	154,000

The proportion of the valuation attributed to roofs and structure has been allocated between the two categories pro rata based on the previously stated net book value of these elements. The value attributable to structure has then been allocated to individual properties equally at 31 March 2014. The resulting reduction in value for roofs of £2.4 million has been allocated pro rata to the previously stated net book value.

(b) **Impairment review**

The Board considers indicators of impairment, such as a change in government policy, a reduction in demand for a property, obsolescence and contamination of a site, in respect of an asset or group of assets.

The Board also considered impairment in relation to the Association's investment in its subsidiary company, Phoenix Agency Services (PAS), in view of the deficit on reserves arising in the subsidiary. The Board noted that the primary reason for the deficit on reserves is the subsidiary's share of the deficit of the Local Government Pension Scheme of which PAS is a member, and that the underlying trading of PAS is profitable and cash generative. Based on a review of the projections for the subsidiary, no impairment of the investment is considered necessary.

(c) Investment properties

The Fellowship Inn is intended to have a mixed purpose, with a commercial element relating to the public house and cinema, and a social purpose element with part of the premises to be let to Lewisham Music Services, a not for profit company supporting Lewisham music students. Prior to the refurbishment project the public house was let on a short-term lease to a landlord and the property was accounted for as an Investment Property and included in the Statement of Financial Position at fair value (an independent valuation from GVA). Now that the refurbishment project is in progress, it is inappropriate to account for the asset as an Investment Property, there being no income stream at this time, and it has been reclassified as 'Other Fixed Assets Under Construction', with total costs at 31 March 2019 being £3.9 million. The project is largely grant funded by the Heritage Lottery Fund (HLF) and £1.8 million of grant received towards the capital element of the project is included in unamortised grant in Creditors.

(d) SHPS defined benefit scheme

Phoenix Community Housing participates in the Social Housing Pension Scheme (SHPS) career average revalued earnings (CARE) defined benefit scheme which is a multi-employer scheme. For financial years ending on or after 31 March 2019, the way in which an employer's defined benefit pension obligation in SHPS is stated in its financial accounts has changed. Previously, there has been insufficient information available for an employer in SHPS to account for its obligations on a defined benefit basis (i.e. stating assets and obligations). As a result, and as required by FRS 102, Phoenix has been accounting for the obligation by stating the present value of agreed future deficit repayment contributions.

For financial years ending on or after 31 March 2019, sufficient information is available for an employer in SHPS to account for its obligations on a defined benefit basis. No new benefits have been introduced and there is no change to the benefits themselves. Considering FRS 102 paragraph 28.21, the new information should not be classified as a plan introduction, change, curtailment or settlement. Further, the application of FRS 102 paragraph 28.11 is not an estimation technique. Where sufficient information is available for the scheme to be accounted for as a defined benefit scheme, FRS 102 paragraphs 28.11 and 28.11A (and SORP paragraphs 15.9 to 15.12) are no longer applied. This means that any liability recognised for the present value of the social landlord's deficit funding agreement is derecognised.

In accordance with FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding agreement liability the association recognised for SHPS, and the net defined benefit deficit for SHPS, has been recognised in other comprehensive income.

Estimation uncertainty:

The following are the significant management estimates and assumptions made which have the risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

(a) Pension liabilities

In determining the Group's share of the Local Authority and Social Housing Pension Scheme defined benefit pension scheme assets and liabilities, the scheme actuaries have used estimates of life expectancy, salary growth, inflation and the discount rate for corporate bonds. The assumptions used are set out in note 30 and reflect historical experience and current trends.

(b) Impairment of debtors

The assessment of the impairment of rental debtors for bad debts is based on past experience and the profile of debtors. The provision for non-recovery of major works service charge arrears has been calculated based on an assessment of the risk of successful challenge through a first tier tribunal and the potential non-recovery of costs.

(c) Housing properties

Housing properties are split between land, structure and major components which require periodic replacement. Land is not depreciated. The structure and major components are depreciated over their expected useful economic lives which have been set by management taking into account professional advice and the requirements of the Decent Homes Standard.

4 Turnover, Operating Costs and Operating Surplus

(a) Group particulars of turnover, operating costs and operating surplus

	2019			
	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000
Social housing lettings (note 4b)	31,826	(23,685)	-	8,141
Development costs not capitalised	-	(458)	-	(458)
Other social housing activities	464	(467)	-	(3)
	32,290	(24,610)	-	7,680
Activities other than social housing activities				
Lettings:				
Leaseholders	770	(1,044)	-	(274)
Garages	39	-	-	39
Other income	36	(111)	-	(75)
	845	(1,155)	-	(310)
Gain on disposal of property	-	-	1,535	1,535
	33,135	(25,765)	1,535	8,905

Group particulars of turnover, operating costs and operating surplus

	2018			
	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000
Social housing lettings (note 4b)	31,564	(23,526)	-	8,038
Development costs not capitalised	-	(336)	-	(336)
Other	628	(466)	-	162
	32,192	(24,328)	-	7,864
Activities other than social housing activities				
Lettings:				
Leaseholders	966	(916)	-	50
Garages	37	-	-	37
Other income	34	(62)	-	(28)
	1,037	(978)	-	59
Gain on disposal of property	-	-	3,020	3,020
	33,229	(25,306)	3,020	10,943

4 Turnover, Operating Costs and Operating Surplus (continued)

(a) Association particulars of turnover, operating costs and operating surplus

2019	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	31,826	(23,730)	-	8,096
Development costs not capitalised	-	(458)	-	(458)
Other social housing activities	958	(960)	-	(2)
	32,784	(25,148)	-	7,636
Activities other than social housing activities				
Lettings:				
Leaseholders	770	(1,044)	-	(274)
Garages	39	-	-	39
Other income	25	(95)	-	(70)
	834	(1,139)	-	(305)
Gain on disposal of property	-	-	1,535	1,535
	33,618	(26,287)	1,535	8,866

Association particulars of turnover, operating costs and operating surplus

2018	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	31,550	(23,335)	-	8,215
Development costs not capitalised	-	(336)	-	(336)
Other social housing activities	1,121	(950)	-	171
	32,671	(24,621)	-	8,050
Activities other than social housing activities				
Lettings:				
Leaseholders	966	(916)	-	50
Garages	37	-	-	37
Other income	34	(62)	-	(28)
	1,037	(978)	-	59
Gain on disposal of property	-	-	3,020	3,020
	33,708	(25,599)	3,020	11,129

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Group particulars of turnover and operating expenditure from social housing lettings	General Needs 2019 £000	Supported Housing 2019 £000	Total 2019 £000	Total 2018 £000
Income				
Rent receivable net of identifiable service charges	28,035	424	28,459	28,491
Service charge income	3,052	253	3,305	3,031
Amortised government grant	15	47	62	42
Turnover from social housing lettings	**31,102**	**724**	**31,826**	**31,564**
Operating expenditure				
Management	5,215	120	5,335	5,016
Service charge costs	4,117	185	4,302	4,165
Routine maintenance	5,531	24	5,555	5,530
Planned maintenance	2,772	2	2,774	2,989
Major repairs expenditure	1,001	-	1,001	1,155
Bad debts	152	2	154	133
Depreciation of housing properties	3,471	198	3,669	3,358
Impairment of housing properties	-	-	-	284
Other costs	895	-	895	896
Operating expenditure on social housing lettings	**23,154**	**531**	**23,685**	**23,526**
Operating surplus on social housing lettings	**7,948**	**193**	**8,141**	**8,038**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**107**	**93**	**200**	**234**

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Association particulars of turnover and operating expenditure from social housing lettings	General Needs 2019 £000	Supported Housing 2019 £000	Total 2019 £000	Total 2018 £000
Income				
Rent receivable net of identifiable service charges	28,035	424	28,459	28,477
Service charge income	3,052	253	3,305	3,031
Amortised government grant	15	47	62	42
Turnover from social housing lettings	**31,102**	**724**	**31,826**	**31,550**
Operating expenditure				
Management	5,215	120	5,335	5,016
Service charge costs	4,117	185	4,302	4,165
Routine maintenance	5,576	24	5,600	5,339
Planned maintenance	2,772	2	2,774	2,989
Major repairs expenditure	1,001	-	1,001	1,155
Bad debts	152	2	154	133
Depreciation of housing properties	3,471	198	3,669	3,358
Impairment of housing properties	-	-	-	284
Other costs	895	-	895	896
Operating expenditure on social housing lettings	**23,199**	**531**	**23,730**	**23,335**
Operating surplus on social housing lettings	**7,903**	**193**	**8,096**	**8,215**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**107**	**93**	**200**	**234**

5 Surplus /(Deficit) for the Year – Group and Association

Group	**2019 £000**	**2018 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,669	3,358
Impairment of housing properties	-	284
Depreciation of other fixed assets	391	414
Amortisation of intangible fixed assets	324	394
Amortisation of government grant	(62)	(42)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditors	52	44
- for other services	4	12
Operating lease rentals	214	211

Association	**2019 £000**	**2018 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,669	3,358
Impairment of housing properties	-	284
Depreciation of other fixed assets	338	362
Amortisation of intangible fixed assets	300	305
Amortisation of government grant	(62)	(42)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditors	45	40
- for other services	4	10
Operating lease rentals	214	211

6 Directors and Senior Staff Emoluments and Expenses

For the purpose of this note, the directors are defined as the members of the Board and the Executive Officers. None of the Board members received any remuneration.

	2019 £000	2018 £000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	606	567
Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind)	137	132
Expenses paid during the year to Board Members	-	-

The Chief Executive is an ordinary member of the Social Housing Pension Scheme (SHPS) and no enhanced or special terms apply. Pension contributions paid to the pension fund for the Chief Executive were £8,240 in the year (2018: £7,895). There are no payments made to separately administered pension schemes.

The table below sets out the full-time equivalent number of staff whose remuneration, including redundancy and costs of early retirement (including pension contributions), payable was £60,000 or more within each band of £10,000:

			2019 Number	2018 Number
£60,001	to	£70,000	4	4
£70,001	to	£80,000	3	2
£80,001	to	£90,000	4	2
£90,001	to	£100,000	-	-
£100,001	to	£110,000	1	-
£110,001	to	£120,000	-	1
£120,001	to	£130,000	-	1
£130,001	to	£140,000	2	1
£140,001	to	£150,000	1	-

The aggregate amount of compensation payable to directors in respect of loss of office was £Nil (2018: £23,000).

7 Employee Information

Group

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2019:

	2019 Number	2018 Number
Office staff	157	157
Caretakers	31	21
Maintenance	49	41
	237	219

	2019 £000	2018 £000
Staff costs (for the above persons):		
Wages and salaries	8,877	8,089
Social security costs	908	836
Pension costs	1,182	1,023
	10,967	9,948

Association

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2019:

	2019 Number	2018 Number
Office staff	142	146
Caretakers	31	21
	173	167

	2019 £000	2018 £000
Staff costs (for the above persons):		
Wages and salaries	6,529	6,134
Social security costs	668	641
Pension costs	880	743
	8,077	7,518

8 Gain on Sale of Property, Plant and Equipment

Group and Association	2019 £000	2018 £000
Disposal proceeds	1,926	3,965
Less: cost of sales	(391)	(945)
	1,535	3,020

9 Interest Receivable

Group and Association	2019 £000	2018 £000
Unwinding of discount on repayment agreements	-	20
From bank deposits	64	9
	64	29

10 Interest Payable and Financing Costs

Group	2019 £000	2018 £000
On housing loans	2,950	2,335
Unwinding of discounts on provisions	-	2
Amortisation of loan arrangement fees	27	30
Write-off of loan arrangement fees	-	845
Mark to market costs relating to early repayment of fixed rate loan	-	8,703
Net interest on defined benefit liability	60	35
Less: capitalised interest	(165)	(83)
	2,872	11,867

Association	2019 £000	2018 £000
On housing loans	2,950	2,335
Unwinding of discounts on provisions	-	2
Amortisation of loan arrangement fees	27	30
Write-off of loan arrangement fees	-	845
Mark to market costs relating to early repayment of fixed rate loan	-	8,703
Net interest on defined benefit liability	37	10
Less: capitalised interest	(165)	(83)
	2,849	11,842

11 Taxation

Phoenix is a charitable housing association and is not liable to Corporation Tax on its charitable activities. Its subsidiary undertakings, Phoenix Agency Services Limited and Home Makers, are subject to Corporation Tax. A reconciliation between Corporation Tax at the standard rate on the surplus on ordinary activities and the actual tax charge has not been provided due to the charitable status of Phoenix. The tax recognised in the statement of income represents a charge for tax of £38,000 (2018: credit £27,000) for Phoenix Agency Services.

12 Tangible Fixed Assets – Housing Properties

	Completed held for letting	Under construction	Total
Group and Association	**£000**	**£000**	**£000**
Cost			
At 1 April 2018	200,059	4,047	204,106
Additions	7,157	5,960	13,117
Transfer	460	(460)	-
Disposals	(324)	-	(324)
At 31 March 2019	**207,352**	**9,547**	**216,899**
Depreciation			
At 1 April 2018	12,405	-	12,405
Charge for period	3,669	-	3,669
Released on disposal	(26)	-	(26)
At 31 March 2019	**16,048**	**-**	**16,048**
Impairment			
At 1 April 2018	505	-	505
Charge for period	-	-	-
At 31 March 2019	**505**		**505**
Net book value			
At 31 March 2019	**190,799**	**9,547**	**200,346**
At 31 March 2018	**187,149**	**4,047**	**191,196**

The vast majority of housing properties are held freehold. Less than 1% of properties are leasehold. The Association has adopted a valuation of its completed freehold housing properties as at 1 April 2014 as deemed cost. Included in the balance of housing properties under construction is £149,000 of capitalised interest (2018: £83,000), based on a capitalisation rate of 5% which is the weighted average rate applicable to the Group's borrowings during the year.

The total accumulated grant received to 31 March 2019 was £53.3 million (2018: £53.2 million).

13 Investment Properties

Group and Association	**£000**
At 1 April 2018	185
Additions	-
Revaluation	-
At 31 March 2019	185

Investment properties, which are all freehold, comprise privately let garages. A commercial lease of part of the Fellowship Inn has been transferred to Other Fixed Assets Under Construction while the project to refurbish the property is undertaken. The fair value of the garages has been estimated by the Board using the projected cash flows from the property discounted at a market rate of interest of 7% (2018: 7%).

14 Other Fixed Assets – Intangible Assets

Group	**Computer software**	**Goodwill**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 April 2018	2,232	447	2,679
Additions	777	-	777
Disposals	-	-	-
At 31 March 2019	**3,009**	**447**	**3,456**
Amortisation			
At 1 April 2018	1,368	423	1,791
Charge for the period	300	24	324
Disposals	-	-	-
At 31 March 2019	**1,668**	**447**	**2,115**
Net book value			
At 31 March 2019	**1,341**	**-**	**1,341**
At 31 March 2018	**864**	**24**	**888**

14 Other Fixed Assets – Intangible Assets (continued)

Association	**Computer software £000**
Cost	
At 1 April 2018	2,232
Additions	777
Disposals	-
At 31 March 2019	**3,009**
Amortisation	
At 1 April 2018	1,368
Charge for the period	300
Disposals	-
At 31 March 2019	**1,668**
Net book value	
At 31 March 2019	**1,341**
At 31 March 2018	**864**

15 Other Fixed Assets – Tangible Assets

Group

	Freehold offices and community buildings* £000	Other fixed assets under construction £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost						
At 1 April 2018	6,433	1,108	24	939	584	9,088
Additions	49	2,806	-	36	31	2,922
Disposals	-	-	-	-	-	-
At 31 March 2019	**6,482**	**3,914**	**24**	**975**	**615**	**12,010**
Depreciation						
At 1 April 2018	587	-	24	511	404	1,526
Charge for the period	139	-	-	171	81	391
Disposals	-	-	-	-	-	-
At 31 March 2019	**726**	**-**	**24**	**682**	**485**	**1,917**
Net book value						
At 31 March 2019	**5,756**	**3,914**	**-**	**293**	**130**	**10,093**
At 31 March 2018	**5,846**	**1,108**	**-**	**428**	**180**	**7,562**

*Part of the head office is sublet to the Lewisham Plus Credit Union and Lewisham Council at a peppercorn rent. A community centre was also let to Barking and Dagenham College during the period at a peppercorn rent.

15 Other Fixed Assets – Tangible Assets (continued)

Association

	Freehold offices and community buildings* £000	Other fixed assets under construction £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost						
At 1 April 2018	6,433	1,108	24	728	584	8,877
Additions	49	2,806	-	36	31	2,922
Disposals	-	-	-	-	-	-
At 31 March 2019	**6,482**	**3,914**	**24**	**764**	**615**	**11,799**
Depreciation						
At 1 April 2018	587	-	24	353	404	1,368
Charge for the period	139	-	-	118	81	338
Disposals	-	-	-	-	-	-
At 31 March 2019	**726**	**-**	**24**	**471**	**485**	**1,706**
Net book value						
At 31 March 2019	**5,756**	**3,914**	**-**	**293**	**130**	**10,093**
At 31 March 2018	**5,846**	**1,108**	**-**	**375**	**180**	**7,509**

*Part of the head office is sublet to the Lewisham Plus Credit Union and Lewisham Council at a peppercorn rent. A community centre was also let to Barking and Dagenham College during the period at a peppercorn rent.

16 Properties for sale

Group and Association	2019 £000	2018 £000
Shared ownership properties under construction	588	-

Capitalised interest included in the above £16,000 (2018: £nil).

17 Stock and work in progress

Group	2019 £'000	2018 £'000
Stock	88	85
Work in progress	-	-
	88	85

There was no stock and work in progress held by the Association.

18 Trade and Other Debtors

Group	2019 £000	2018 £000
Due in more than one year		
Amount owed by leaseholders (gross balance)	253	296
Less net present value adjustments for repayment agreements	(41)	(52)
	212	244
Due within one year		
Arrears of rent and service charges	2,071	1,998
Less provision for bad debts	(1,192)	(1,186)
	879	812
Amount owed by leaseholders	431	760
Grants receivable	1,884	1,708
Other debtors	84	129
Input VAT reclaimable	594	475
Deferred tax	-	37
Cash in transit	346	208
Prepayments and accrued income	1,243	1,446
	5,461	5,575
Total debtors	**5,673**	**5,819**

18 Trade and Other Debtors (continued)

	2019	2018
Association	**£000**	**£000**
Due in more than one year		
Amount owed by leaseholders (gross balance)	253	296
Less net present value adjustments for repayment agreements	(41)	(52)
	212	244
Due within one year		
Arrears of rent and service charges	2,071	1,998
Less provision for bad debts	(1,192)	(1,186)
	879	812
Amount owed by leaseholders	431	760
Grants receivable	1,884	1,708
Amount owed by subsidiary undertakings	225	408
Other debtors	75	119
Input VAT reclaimable	417	475
Cash in transit	346	208
Prepayments and accrued income	1,145	1,384
	5,402	5,874
Total debtors	**5,614**	**6,118**

19 Cash and Cash Equivalents

	2019	2018
Group	**£000**	**£000**
Cash and cash equivalents	19,620	7,804
Association		
Cash and cash equivalents	19,008	6,784

20 Creditors: Amounts falling due within one year

Group	**2019**	**2018**
	£000	**£000**
Rents prepaid	1,485	1,195
Trade creditors	1,995	2,103
Other taxes and social security costs	245	232
Other payroll deductions	2	3
VAT recovered payable to Lewisham Council	285	298
Other creditors and accruals	2,420	2,016
Deferred income	32	74
Deferred income – unamortised government grant (see note 23)	5,590	2,199
	12,054	**8,120**

20 Creditors: Amounts falling due within one year (continued)

Association	**2019**	**2018**
	£000	**£000**
Rents prepaid	1,485	1,195
Trade creditors	1,752	1,784
Amount due to subsidiary undertakings	880	549
Other taxes and social security costs	183	177
Other payroll deductions	2	3
VAT recovered payable to Lewisham Council	285	298
Other creditors and accruals	2,152	1,891
Deferred income	32	74
Deferred income – unamortised government grant (see note 23)	5,592	2,199
	12,363	**8,170**

21 Creditors: Amounts falling due after more than one year

Group and Association	**2019**	**2018**
	£000	**£000**
Improvement works	124	148
Loans	79,503	64,763
Accrual for pension scheme deficit funding agreement	-	124
Disposal Proceeds Fund	-	741
Deferred income – unamortised capital grant (see note 23)	4,818	4,865
	84,445	70,641

Group and Association	**2019**	**2018**
	£000	**£000**
Loans repayable other than by instalments as follows:		
In more than two years but not more than five years	10,000	-
In five years or more	70,000	65,250
Less transaction costs	(497)	(487)
	79,503	64,763

In addition to the above debt, at 31 March 2019 Phoenix had undrawn loan facilities of £35 million (2018: £34.75 million). The loan facilities are secured on the Association's housing stock.

The loans are provided by Barclays Bank plc and the Pensions Insurance Corporation. Interest is payable on loans at fixed rates of interest in the range of 3.5% to 5.1%.

22 Financial instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

Group	**2019 £000**	**2018 £000**
Financial assets		
Measured at amortised cost		
Repayment agreements	212	244
Measured at undiscounted amount receivable		
Rent arrears and other receivables	5,461	5,575
Cash and cash equivalents	19,620	7,804
	25,293	13,623

Group	**2019 £000**	**2018 £000**
Financial liabilities		
Measured at amortised cost		
Loans	79,503	64,763
Pensions deficit funding agreement	-	124
Measured at undiscounted amount payable		
Trade and other creditors	16,996	13,874
	96,499	78,761

Association	**2019 £000**	**2018 £000**
Financial assets		
Measured at amortised cost		
Repayment agreements	212	244
Measured at undiscounted amount receivable		
Amounts due from subsidiary undertakings	225	408
Rent arrears and other receivables	5,177	5,466
Cash and cash equivalents	19,008	6,784
	24,622	12,902

Association	**2019 £000**	**2018 £000**
Financial liabilities		
Measured at amortised cost		
Pensions deficit funding agreement	-	124
Loans	79,503	64,763
Measured at undiscounted amount payable		
Amounts owed to subsidiary undertakings	880	549
Trade and other creditors	16,425	13,375
	96,808	78,811

23 Deferred Income – Capital Grant

Group and Association	2019 £000	2018 £000
At 1 April	7,064	2,905
Grant received during the year	3,408	4,201
Released to income in the year	(62)	(42)
At 31 March	10,410	7,064
Amount due within one year	5,592	2,199

24 Disposal Proceeds Fund

Group and Association	2019 £000	2018 £000
At 1 April	741	741
Inputs to fund:		
Funds recycled	-	-
Interest accrued	-	-
Use/allocation of funds:		
New build	(741)	-
Repayment to Greater London Authority	-	-
At 31 March	-	741
All amounts relate to Greater London Authority		
Amounts three years old or older where repayment may be required	-	200

25 Share Capital – Non Equity

	2019 £	2018 £
£1 shares		
At 1 April	3,630	3,338
Issued during the period	-	292
Cancelled during the period	(12)	-
At 31 March	3,618	3,630

The share capital of Phoenix consists of shares with a nominal value of £1 each. Phoenix's shares carry no right to interest, dividend or bonus. Due to Phoenix's registered society status, the maximum shareholding per member is one share.

26 Capital Commitments

Group and Association	**2019 £000**	**2018 £000**
Capital expenditure that has been contracted for	6,378	10,641
Capital expenditure that has been authorised by the Board but has not yet been contracted for	73,315	63,778
	79,693	74,419
Phoenix expects to finance the above expenditure by:		
Grant funding	15,284	12,373
Sale proceeds including first tranche sales of shared ownership	7,699	14,171
Loan facilities	28,465	27,555
Operating cash surpluses	28,245	20,320
	79,693	74,419

27 Cash Flow from Operating Activities

	Year ended 31 March 2019 £000	**Year ended 31 March 2018 £000**
Operating surplus for the year	8,905	10,943
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,060	3,772
Impairment of tangible fixed assets	-	284
Amortisation of intangible assets	324	395
(Increase)/decrease in stock	(3)	(13)
(Increase)/decrease in properties for sale	(588)	-
Decrease in trade and other debtors	701	421
(Decrease)/increase in trade and other creditors	(199)	463
Pension costs less contributions payable	414	298
Amortisation of grant	(62)	(42)
Cost of sales	304	785
Net cash flow from operating activities	13,856	17,306

28 Operating Leases

At 31 March the Group had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as lessee	**2019**		**2018**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	-	214	-	211
In one to five years	-	215	-	207
Later than five years	-	-	-	-
	-	429	-	418

Amounts receivable as lessor	**2019**		**2018**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	-	77	-	73
In one to five years	-	354	-	305
Later than five years	-	674	-	276
	-	1,105	-	654

29 Units Owned or Under Management

Group and Association	**2019 Number**	**2018 Number**
Units for rent at 1 April		
General needs housing accommodation	5,334	5,357
Additions	12	3
Less freehold sales	(7)	(13)
Less leasehold sales	(3)	(13)
Units for rent at 31 March	5,336	5,334
Supported housing at 1 April	60	-
Additions	-	60
At 31 March	60	60
Leaseholders	856	868
Unit for market rent at 31 March	1	1

29 Units Owned or Under Management (continued)

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 71 Phoenix tenants (2018: 78) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £5.81 (2018: £5.64). Tenants receiving housing benefit are funded by Supporting People Grant which is paid directly to Linkline. For tenants not on housing benefit, Phoenix collects the charge on behalf of Linkline as part of the weekly charge. Phoenix has inherited from the Council a commitment to fund units in certain blocks designated for use by the elderly but occupied by other client groups due to low demand for this type of property.

30 Pensions

(a) London Borough of Lewisham Pension Scheme - Group

The Group participates in the London Borough of Lewisham pension scheme, a defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on salary. No other post-retirement benefits are provided. The scheme is funded.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by actuaries Hymans Robertson. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main financial assumptions underlying the valuation at 31 March 2019 were as follows:

	2019	**2018**
	% pa	**% pa**
Pension increases	2.3	2.4
Salary increases	2.8	2.9
Discount rate	2.4	2.7

Mortality assumptions

Life expectancy is based on the Vita Curves, assuming the current rate of improvement has peaked and will converge to a long-term rate of 1.25% per year. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	22.2 years	24.6 years
Future Pensioners	24.0 years	26.5 years

Historic Mortality

Life expectancy for the prior year end is based on the fund's Vita Curves. The allowance for future life expectancies are shown below:

	Prospective Pensioners	**Pensioners**
31 March 2018	CMI 2013 model assuming current rate of improvements have peaked and will converge to long term rate 1.25%	CMI 2013 model assuming current rate of improvements have peaked and will converge to long term rate 1.25%

30 Pensions (continued)

(a) London Borough of Lewisham Pension Scheme – Group (continued)

Amounts recognised in the Statement of Comprehensive Income	**2019**	**2018**
	£000	**£000**
Current service cost	586	620
Past service cost	31	58
Net interest cost	27	37
Total	644	715
Recognised in other comprehensive income	(470)	(757)
Deferred tax (credit)/charge on actuarial loss/(gain)	-	-
	(470)	(757)
Total costs/(gain) relating to defined benefit scheme	**174**	**(42)**

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of the scheme is as follows:

	2019	**2018**
	£000	**£000**
Present value of defined benefit obligations	(31,694)	(29,356)
Fair value of scheme assets	30,927	28,492
Deficit	(767)	(864)
Deferred tax asset	-	-
Net pension scheme liability	**(767)**	**(864)**

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

Reconciliation of defined benefit obligation	**2019**	**2018**
	£000	**£000**
Opening defined benefit obligation	29,356	29,008
Current service cost	586	620
Interest cost	795	759
Contribution by members	109	108
Actuarial losses and (gains)	1,259	(791)
Past service cost	31	58
Benefits paid	(442)	(406)
Closing defined benefit obligation	**31,694**	**29,356**

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

Reconciliation of fair value of employer assets	**2019**	**2018**
	£000	**£000**
Opening fair value of employer assets	28,492	27,731
Return on plan assets	768	722
Contributions by members	109	108
Contributions by employer	271	371
Actuarial gains and (losses)	1,729	(34)
Benefits paid	(442)	(406)
Closing fair value of employer assets	**30,927**	**28,492**

30 Pensions (continued)

(a) London Borough of Lewisham Pension Scheme – Group (continued)

Fair value of employer assets

The fair values of each main class of assets held by the Fund are set out in the following table.

	2019 Assets £000	2018 Assets £000
Equities	18,247	16,526
Bonds	7,732	7,123
Property	2,474	2,279
Cash	2,474	2,564
Total	**30,927**	**28,492**

In October 2018 the High Court published its judgement on the case of Lloyds Banking Group and the equalisation of Guaranteed Minimum Pensions ('GMP'). This has consequently been assessed against the Group's defined benefit schemes. The impact of GMP Equalisation in respect of the SHPS CARE Pension Scheme have been recognised in the year.

The Group has reviewed the impact of GMP Equalisation in respect of its Local Government Pension Scheme (LGPS) and identified that a range of approaches has been adopted by the scheme actuaries for those schemes. No further adjustments have been made to the present value of obligations as the effect is not considered material.

In December 2018 the Court of Appeal ruled that 'transitional arrangements' protection in respect of benefit changes to the Judicial and Fire Fighter Pension scheme amounted to unlawful discrimination ('McCloud case'). Due to similar pension reforms to the LGPS in benefits the judgement is expected to be applicable to the LGPS. There is no impact from this ruling on non-LGPS schemes as there were no equivalent changes to pensioner benefits.

The Board has considered the potential impact of the McCloud case on the Group and Association's defined benefit liability as at 31 March 2019. No additional liability has been recognised given the profile of the scheme members and assuming a very cautious outcome on the LGPS scheme liability (gross obligation: £32 million) the Board are satisfied that when fully accounted in the financial statements the impact will not be material to the Group or Association Financial Statements as at 31 March 2019.

(b) London Borough of Lewisham Pension Scheme – Association

The Association participates in the London Borough of Lewisham pension scheme, a defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on salary. No other post-retirement benefits are provided. The scheme is funded.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by actuaries Hymans Robertson. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

30 Pensions (continued)

(b) London Borough of Lewisham Pension Scheme – Association (continued)

The main financial and mortality assumptions underlying the valuation at 31 March 2019 are as for the Group (see note 30a).

Amounts recognised in the Statement of Comprehensive Income	**2019**	**2018**
	£000	**£000**
Current service cost	355	384
Past service cost	31	58
Net interest cost	4	12
Total	390	454
Recognised in other comprehensive income	(427)	(533)
Total (gain) relating to defined benefit scheme	**(37)**	**(79)**

The amount included in the Statement of Financial Position arising from the Association's obligations in respect of the scheme is as follows:

	2019	**2018**
	£000	**£000**
Present value of defined benefit obligations	(24,343)	(22,689)
Fair value of scheme assets	24,489	22,649
Net pension scheme asset	**146**	**(40)**

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

Reconciliation of defined benefit obligation	**2019**	**2018**
	£000	**£000**
Opening defined benefit obligation	22,689	22,521
Current service cost	355	384
Interest cost	613	587
Contribution by members	67	66
Actuarial losses and (gains)	945	(559)
Past service cost	31	58
Benefits paid	(357)	(368)
Closing defined benefit obligation	**24,343**	**22,689**

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

Reconciliation of fair value of employer assets	**2019**	**2018**
	£000	**£000**
Opening fair value of employer assets	22,649	22,151
Return on plan assets	609	575
Contributions by members	67	66
Contributions by employer	149	251
Actuarial gains and (losses)	1,372	(26)
Benefits paid	(357)	(368)
Closing fair value of employer assets	**24,489**	**22,649**

30 Pensions (continued)

(b) London Borough of Lewisham Pension Scheme – Association (continued)

Fair value of employer assets

The fair values of each main class of assets held by the Fund are set out in the following table.

	2019 Assets £000	2018 Assets £000
Equities	14,449	13,136
Bonds	6,122	5,662
Property	1,959	1,812
Cash	1,959	2,039
Total	**24,489**	**22,649**

The contribution rate of Phoenix for the year ended 31 March 2019 was 20.4% (2018: 20.4%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2018: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2020 are estimated to be £131,000.

(c) Social Housing Pension Scheme

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, and therefore the Association has accounted for the Scheme as a defined contribution scheme.

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

The main financial assumptions underlying the valuation at 31 March 2019 were as follows:

	2019 % pa	2018 % pa
Discount rate	2.4	2.6
Inflation (RPI)	3.2	3.1
Inflation (CPI)	2.2	2.1
Salary growth	2.7	2.6
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

Amounts recognised in statement of comprehensive income

	Year from 31 March 2018 to 31 March 2019 £000
Current service cost	302
Expenses	6
New interest expense	33
Defined benefit costs recognised in statement of comprehensive income	**341**

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

Defined benefit costs recognised in other comprehensive income

	Year ended 31 March 2019 £000
Experience on plan assets (excluding amounts included in net interest cost) – gain	112
Experience gains and losses arising on the plan liabilities – gain	99
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – loss	(13)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – loss	(388)
Total actuarial gains and losses – loss	(190)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain/(loss)	-
Total amount recognised in other comprehensive income – loss	**(190)**

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2019 £000	2018 £000
Fair value of plan assets	3,915	3,367
Present value of defined benefit obligation	5,455	4,607
Defined benefit liability to be recognised	(1,540)	(1,240)
Deferred tax	-	-
Net defined benefit liability to be recognised	**(1,540)**	**(1,240)**

Reconciliation of defined benefit obligation

	Year ended 31 March 2019 £000
Defined benefit obligation at start of period	4,607
Current service cost	302
Expenses	6
Interest expense	125
Contributions by plan participants	129
Actuarial gains due to scheme experience	(99)
Actuarial losses due to changes in demographic assumptions	13
Actuarial losses due to changes in financial assumptions	388
Benefits paid and expenses	(16)
Defined benefit obligation at end of period	**5,455**

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

Reconciliation of fair value of plan assets

	Year ended 31 March 2019 £000
Fair value of plan assets at start of period	3,367
Interest income	92
Experience on plan assets (excluding amounts included in interest income) – gain	112
Contributions by the employer	231
Contributions by plan participants	129
Benefits paid and expenses	(16)
Fair value of plan assets at end of period	**3,915**

Fair value of plan assets

The fair value of each main class of assets held by the plan is set out in the following table:

	2019 Assets £000	2018 Assets £000
Equities	1,384	1,348
Bonds	2,032	1,650
Property	351	241
Cash	148	128
	3,915	**3,367**

31 Related Party Transactions

The ultimate controlling party of the Group is Phoenix Community Housing. Phoenix considers the key management personnel to be the Board and Executive Team. The only transactions between Phoenix and the key management personnel are remuneration set out in note 6 and the transactions noted below.

Tenants and Leaseholders

Phoenix is a resident-led housing association and at 31 March 2019, six of the Association's Board members were Phoenix residents. Their tenancies and leases have been granted on the same terms as for all other tenants and leaseholders of the Association and housing management procedures, including those relating to the management of arrears, have been applied consistently.

31 Related Party Transactions (continued)

Transactions entered into with resident Board members, and rent and service charge balances outstanding at 31 March, are as follows:

	2019	2018
	£	£
Rent and service charges charged	30,353	32,275
Credit balances at the end of the period	(1,777)	(1,203)
Doubtful debt provision	Nil	Nil

No other transactions took place with the resident Board members.

Related parties employed by Phoenix

Phoenix employs as a member of staff under normal contract terms an employee who is a relative of a member of the Executive Team. The salary paid to that member of staff (all of which was fully paid at the year end) was £48,733 (2018: £40,835).

Local authority

Two Board Members are nominated by the London Borough of Lewisham. Some services were purchased from the London Borough of Lewisham during the year. All agency services are covered by an arm’s length contract, which was negotiated to ensure neither party subordinated its own separate interests. The London Borough of Lewisham pays tenant housing benefit under the terms of current legislation and this is paid directly to Phoenix.

Payments to the Local Authority were £494,000 (2018: £575,000), including the Local Authority’s share of the VAT shelter £264,000 (2018: £342,000). The total amount due to the Local Authority at 31 March 2019 was £320,000 (2018: £251,000).

Subsidiary undertakings

Phoenix Community Housing traded with Phoenix Agency Services, a wholly owned subsidiary of Phoenix which provides the repairs and maintenance for Phoenix properties. The charges for these services are based on the National Housing Federation’s schedule of rates. Total amounts charged by Phoenix Agency Services were £7,186,000 (2018: £6,080,000). Phoenix also provides corporate services to its subsidiary. The charge for these services is based on a calculation of the costs of delivering corporate services including a reasonable proportion of overheads. A consistent basis has been used in 2018/19 to that used in prior years. Total amounts recharged were £486,000 (2018: £486,000). The net amount due to Phoenix Agency Services at 31 March 2019 was £645,000 (2018: due to subsidiary £201,000). The transactions between Phoenix and Phoenix Agency Services (which is not registered with the Regulator) were eliminated on consolidation.

Phoenix also provides corporate services to its subsidiary, Home Makers, which commenced trading in November 2018. The charge for these services is based on a calculation of the costs of delivering corporate services including a reasonable proportion of overheads. Total amounts recharged were £5,000. The net amount due to Home Makers at 31 March 2019 was £10,000. The transactions between Phoenix and Home Makers (which is not registered with the Regulator) were eliminated on consolidation.

31 Related Party Transactions (continued)

Pension schemes

Phoenix participates in two defined benefit pension schemes. The transactions with these pension schemes are set out in note 30.

There are no other related party transactions requiring disclosure.

32 Contingent Liabilities

Counter indemnity and parent guarantee

The Council as the Administering Authority of the London Borough of Lewisham pension scheme has agreed to the subsidiary undertaking being an admitted body to the scheme, subject to a bond (value £465,500) and parent guarantee (up to £465,500) being provided in favour of the scheme. Phoenix has agreed to provide the parent guarantee and a counter indemnity in favour of the bond provider.

The guarantee or counter indemnity will only be called upon if the subsidiary is unable to meet its obligations to the pension scheme.

33 Subsidiary Undertakings

Phoenix has the following investments in subsidiary undertakings:

	Country of incorporation	Proportion of ordinary share capital	Investment 2019 £000	Investment 2018 £000
Phoenix Agency Services Limited	England	100%	600	600
Home Makers The Property People Limited	England	100%	25	-
			625	600

Phoenix Agency Services Limited is a non-registered company which provides the repairs and maintenance service for Phoenix Community Housing's properties.

Home Makers The Property People Limited is a non-registered company which provides a private lettings management service.