



Board Report and Financial Statements

**Year ended
31 March 2021**

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Board Members, Executives and Advisors

Board members

Anne McGurk, Chair
Carmen Simpson, Vice Chair
Kerry Heath
Mark Gayfer, Chair of Audit Committee
Peace Ayiku-Nartey
Lucy Ferman
Councillor Olurotimi Ogunbadewa
Michael Tisdell
Simon Barlow
Simone George
Rebecca Clarke (appointed February 2021)

The following Board members also served during the period:
Councillor Sue Hordijkenko to January 2021

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
Jonathan Lawn, Assistant Director of People Services and Communications
(appointed September 2020)

Secretary

Chris Starke

Registered Office

The Green Man
355 Bromley Road
London
SE6 2RP

Banker

Barclays Bank plc
28th Floor
1 Churchill Place
London
E14 5HP

Auditor

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 2021.

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 2021, 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 8 onwards.

Governance

The Association's Board and Executive Officers are listed on page 1 of this report. The Board were saddened by the untimely death of Councillor Sue Hordijkeno and noted how much they valued her contribution and that she will be sorely missed.

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 Board according to a protocol agreed with the London Borough of Lewisham. 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, recommending the appointment of the external auditor to the Board and monitoring their work, considering the external audit management letter and responses from management, reviewing 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 the 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

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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 development programme 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 shareholding members are all tenants and leaseholders. Membership of Phoenix at 31 March 2021 was 3,568. Shareholders have the power to approve resolutions put to general meetings, including any changes to the Rules of the Association. Phoenix's shares carry no right to a dividend.

The Association's Community Empowerment and Engagement Strategy focuses on four strategic themes:

- Increasing resident leadership, community empowerment and cohesion by raising and widening participation.
- Driving aspiration and supporting residents out of poverty.
- Improving life chances of children, young people and their families.
- Developing sustainable models of operation.

Each strategic theme has a set of expected outcomes.

One part of the strategy is the '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 of the Phoenix Community Link areas 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 2020/21 the PGC has shaped our approach to 3 strategic reviews (Sustainability, Building New Homes and the refresh of the Corporate Plan), steered involvement events including our Annual General Meeting and resident board member elections, reviewed the Community Chest and provided feedback on customer engagement and our response to the pandemic, the plans for the resident self-service portal and our self-assessment against the Housing Ombudsman's new code for complaints handling.

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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 Board has also agreed that the Scrutiny Panel can act as a Tenant Panel for considering complaints.

The Scrutiny Panel completed one review on Social Value and a review of our performance over the last year, which concluded that standards and performance appear to be met as best they could be during the pandemic. The main areas of concern and priorities for improvement are:

- complaint handling;
- compliance with gas servicing and ensuring there are enough operatives available to meet demand for repairs as the volume of vulnerable residents increased as a result of the pandemic; and
- reducing the number of outstanding Anti-Social Behaviour cases.

A Policy Working Group, comprising residents, reviews and comments on proposed policies prior to consideration by the Board. The Policy Working Group reviewed 36 policies during the year.

We have also established #BEin, a youth leadership group to support young people aged 16 to 25 to obtain employment, education and training, leadership skills and the ability to design and deliver social action projects. The Board has recently approved plans for #BEin to develop their role within the Phoenix engagement structure to become a youth leadership panel.

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 3,563 members at 31 March 2021.

The Phoenix Academy Programme received Chartered Institute of Housing (CIH) accreditation in 2017 and continues to help with our succession planning for our involvement groups and the Board. In June 2020, 30 students graduated from the Academy level 1 CIH practice qualification, of which 12 were Phoenix residents, and 7 were Phoenix staff. 5 completed a level 2 Chartered Institute of Housing (CIH) practice qualification and 2 completed a level 3 CIH practice qualification, funded by a bursary from Phoenix. New trainees also volunteered with Phoenix as part of their course.

Regulation

The Board has considered how the Association meets the Governance and Financial Viability Standard set by the Regulator of Social Housing which includes the following required outcomes:

1.1 Governance

Registered providers shall ensure effective governance arrangements that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. Governance arrangements shall ensure registered providers:

(a) adhere to all relevant law

(b) comply with their governing documents and all regulatory requirements

(c) are accountable to tenants, the regulator and relevant stakeholders

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(d) safeguard taxpayers' interests and the reputation of the sector

(e) have an effective risk management and internal controls assurance framework

(f) protect social housing assets

Financial viability

Registered providers shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk.

The Board has concluded the outcomes above have been met in all material aspects.

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 Privacy Officer advises on and assists with changes to systems and procedures to strengthen compliance, including the change to a work from home environment in response to Covid19 for office-based staff. The Audit Committee has considered a report from the Privacy Officer which concludes that overall, Phoenix is materially compliant with the requirements of data protection legislation. The data protection action plan 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 successfully maintained the top ratings of G1 for Governance and V1 for Viability following an in depth assessment by the Regulator in January 2021.

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.

Health and Safety

The Board takes seriously its legal and ethical responsibilities relating to health and safety, to ensure, so far as is reasonably practicable, the health, safety and welfare of all employees, residents and others affected by our activities. Health and safety risks are regularly reviewed by the Executive Team and the Board. Particular emphasis has been placed on the management of health and safety risks within our housing stock, including a programme of fire safety works.

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.

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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.

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 maintained our Investors in People Gold accreditation in 2020.

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 10 apprentices.

Diversity

The diversity of staff is a key performance measure. As at 31 March 2021 for staff where we have profiling information, 39% are people representing diverse ethnic groups, 44% are women and 9% have 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 Committed employer. We have also agreed to apply positive action for female applicants and applicants representing diverse ethnic groups when future Executive vacancies arise.

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.

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- median pay gap: females are paid 1.1% higher than males (2020: 8.3%)
- mean pay gap: males are paid 4.5% higher than females (2020: 2.5%)
- number of male and female staff in each pay quartile:

Pay quartile	Male	Female
1 (highest)	21	22
2	17	27
3	15	29
4	28	16
Total	81	94

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 continues to monitor actions to address the mean pay gap.

Phoenix Repairs Service

- median pay gap: females are paid 3.4% higher than males
- mean pay gap: females are paid 12.3% higher than males
- number of male and female staff in each pay quartile:

Pay quartile	Male	Female
1 (highest)	10	5
2	15	1
3	13	3
4	13	3
Total	51	12

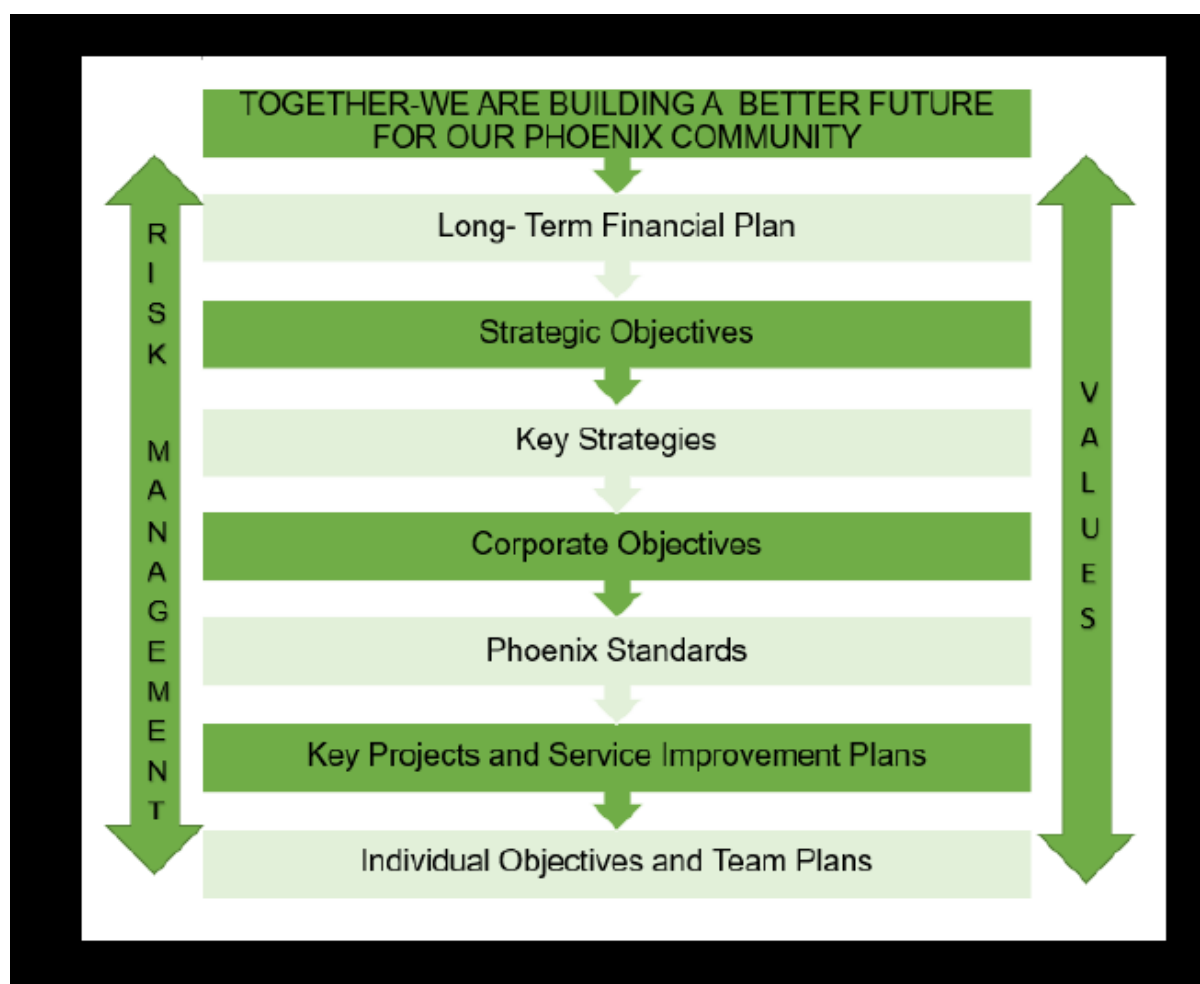
Strategic Report

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 2021.

Objectives and strategy for achieving those objectives

The Board reviewed the vision and strategic objectives during 2019/20 in consultation with residents and staff. The vision was agreed as "Together we are building 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.

To help us achieve our vision and ambitions we have a corporate plan framework. This includes our long-term financial plan, strategic and corporate objectives that set out what we need to do, our risk management strategy and the values we hold. This runs through our organisation as illustrated below:



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We are operating in uncertain times and like other landlords have challenges ahead, including meeting zero carbon emissions by 2050 and responding to the new fire and building safety requirements, as well as building new homes to meet the housing crisis and maintaining and improving services and satisfaction levels for all our residents.

We also know our existing residents are getting older and our newer and younger residents have different aspirations and expectations. We want to respond to everyone's needs, making sure we are open and accessible and have clear, up to date service standards that we set and monitor together.

We have carefully considered these challenges and reviewed learning from previous plans. We are determined to balance our priorities and translate them into opportunities to realise our vision. We know by Working Together - our Board, residents, staff and partners - we can achieve more.

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

1. Resident leadership and effective governance.
2. Excellent services, efficiently delivered with empathy and openness.
3. Growth in new homes and opportunities.
4. Sustainability and safety for our business, our community and our environment.

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

1. Resident leadership and effective governance

- Ensure excellence in governance by delivering effectiveness reviews of our subsidiaries and our continuous improvement plans for governance.
- Deliver service improvements and efficiencies in response to satisfaction surveys, insight and scrutiny as well as changes to our legal and regulatory framework.
- Steered by residents deliver our Community Engagement Strategy, making sure we evaluate our impact.
- Review our Gold Membership scheme to make sure it adds value to members and our business.
- Deliver our Communication Strategy to communicate clearly and transparently with our residents, celebrate our successes and raise our profile so people want to join us or adopt our ways of working.

2. Excellent services, efficiently delivered with empathy and openness

- Improve customer experience and refresh our service standards so everyone knows what to expect from us and can provide feedback on how we are performing.
- Continue to deliver our "Digital Together Projects" so our staff have the tools and systems to deliver great customer service and our residents have digital options to engage with us digitally if they choose to.
- Deliver priorities for Equality, Diversity and Inclusion getting to know our residents and staff better so we can adapt our services to meet needs and work together to build sustainable communities in our area.

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- Plan and deliver our major works, fencing and environmental programmes so our homes continue to meet our decent homes standard, the new home and safety standards and we reduce carbon emissions.
- Review and monitor our repairs service to make sure it delivers the best possible service to our residents balancing responsive and planned works and evaluating the social value it brings to our community.

3. Growth in new homes and opportunities

- Deliver our approved development plans to build new homes tackling homelessness and housing need in our area, including buying back homes to repair and rent at social rent levels.
- Steered by residents, other stakeholders and local plans work together to improve our community as a place to live leveraging in funding and support to strengthen our community - so all our residents can be proud of where they live.
- Review our community resources to assess how they can be used to maximise their benefits to our 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 and safety for our business, our community and our environment

- Deliver our Value for Money and efficiency plans, so we can deliver our ambitions and confidently maintain our financial viability in the long term.
- Set a new sustainability strategy and start piloting new ways of building and maintaining our homes and delivering all our services to meet carbon zero targets.
- Review the way we work and our values so we work better together to enhance customer experience, promote equality and diversity and deliver creativity and innovation across Phoenix to meet our vision.
- Continue to maintain and improve our approach to health and safety meeting all relevant legislation and regulations and enhancing residents' 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 uses 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.

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Phoenix currently owns and manages 5,357 general needs tenanted properties, an extra care scheme comprising 60 flats, 8 shared ownership properties and 849 leasehold properties in the Bellingham, Downham and Whitefoot areas of Lewisham in South East London. The reduction in the number of properties since the transfer reflects the sale of properties under the Right to Buy. Following the transfer, Phoenix has invested over £170 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, 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 and acquisition 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.

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 in client relationship management and electronic document record management systems to support continued improvements in customer service and efficiency.

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

2020-21 has been like no other year. Responding to the pandemic has challenged us to keep changing and adjusting our services to keep everyone safe and continue to deliver our services. We are proud of what we have achieved and have learnt that in these times "Working Together", neighbourliness and our Phoenix Community is more important than ever. Resident feedback and comments have helped us plan and change our services over the year and will continue to do so as we deliver our plans for the future.

Our immediate priorities for 2020-21 were:

- Keeping staff and residents safe.
- Keeping our business secure.
- Resident Leadership.
- Preparing for what happens next.

In response to the pandemic we successfully invoked our business continuity plan in March 2020, supporting and resourcing staff to work from home (where possible), and enabling our governance structures to continue to operate effectively, including setting up new strategic and operational working groups to monitor our renewal plans. The Green Man remained closed for most of the year, except for urgent appointments.

Our rapid and efficient response to Covid19 is reflected in positive feedback from staff and residents, with resident satisfaction increasing to 85% for tenants and 70% for leaseholders, both upper quartile performance when compared to our peers. We also maintained Investors in People Gold accreditation following a reassessment in May 2020 as well as positive staff engagement throughout the pandemic.

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The Board has approved a conditional offer for the acquisition of around 1,600 homes on the Grove Park estate which will increase the number of homes we own and manage by approximately 20%. The due diligence and legal work in relation to the acquisition are currently in progress and it is planned for the acquisition to complete later in 2021, subject to contract, resident consultation, various consents and arranging the debt finance to fund the acquisition.

Twenty-two new homes for rent and 8 for shared ownership were completed during the year. Current development schemes on site comprise 48 flats for London Affordable Rent and feasibility work continued during the year on other schemes comprising 144 homes in the current development programme. A bid for grant funding to support the development of a further 110 homes under the 2021-26 Affordable Home Programme was also made in April 2021.

A total of 11 properties were sold through the Preserved Right to Buy (RTB) and Right to Acquire (RTA) in the year. Phoenix now retains the net proceeds from RTB sales to invest in the provision of replacement social housing. The Board has agreed a programme of purchase and repair of properties in our area funded from the RTB receipts and 5 properties were acquired during the year.

A major project (Digital Together) to implement customer relationship management and electronic document and records management systems continued during the year. The project is delivering more efficient and agile services with the aim of holding all property and customer information in a central database and enable customers to access services through their preferred method at a time to suit them, including through a resident self-service portal which went live in May 2021. The project also enabled the delivery of the Annual General Meeting in September 2020 with resident shareholders able to participate remotely, and the move to an on line learning model for the Phoenix Academy.

We delivered over 140 digital devices to residents, funded by social value contributions from our contractors and partners, and launched a new well-being service for residents to access.

Due to the challenges of managing services during the pandemic there was some slippage in corporate plan activities, the main areas being:

- maintaining landlord safety compliance including gas safety checks, electrical condition reports, asbestos reinspections and lift servicing, although no material backlog developed;
- resolving cases of disrepair which have risen from 30 open cases in March 2020 to 39 in March 2021;
- void property turn around which increased despite a new sub-contractor being appointed to provide additional resources;
- delays in new development scheme handovers;
- managing the increased needs of our community, reflected in a 38% increase in open Anti-Social Behaviour cases at March 2021 compared to last year, safeguarding concerns raised doubling, and follow ups from our survey to support people with financial inclusion, employment and connecting digitally; and
- improving the consistency of customer contact and complaints handling to fully meet our Phoenix standards and the Housing Ombudsman's new Code for Complaints Handling.

Progress on the transfer of 71 homes in Bromley, Croydon, Merton and Sutton from Lambeth Council was also impacted by the pandemic. The transfer is subject to a resident ballot originally planned to take place in 2020 which was deferred and is now due to take place in 2022. If there is a positive result, legal due diligence will be completed to inform the Transfer Agreement with Lambeth Council.

The extra care scheme at Hazelhurst Court continued to operate successfully through the pandemic 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.

The refurbishment of the Fellowship Inn, a listed public house located in the heart of our area, substantially completed in June 2019. The project provides new community resources, including a pub, café, live performance venue and cinema operated by a commercial partner, and training and employment opportunities for local people. Lewisham Music Services also relocated their offices and teaching facilities to the building. The Heritage Lottery Fund provided a grant of £4 million towards the cost of the works and associated activities. The outstanding works to the highway completed in September 2020 allowing the final drawdown of the Lottery grant. The commercial elements of the Fellowship were temporarily closed as a result of the Covid19 pandemic and reopened in July 2020 in line with government guidance, but were closed again following the latest lockdown in January 2021. There are ongoing discussions with the operator regarding reopening the Fellowship now that government restrictions have been relaxed.

The programme of major works and improvements to the housing stock were initially suspended due to the pandemic but were able to continue following the review of safe working practices, with total expenditure of £4.1 million to 31 March 2021, principally on external works to street properties, fire safety works to blocks and kitchen and bathroom replacements.

We continued to monitor the public inquiry into the Grenfell Tower tragedy during the year and development of the Fire Safety Act and Building Safety Bill. 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. The majority of blocks are low rise, with only two blocks which are over 18m in height. No properties have Aluminium Composite Materials (ACM's), however High Pressure Laminate (HPL) has been identified in balconies on some blocks. The fire risk assessment for these properties concluded that the risk presented by the presence of HPL is low as there is no HPL over-cladding and the buildings affected are all low-rise. An accredited fire safety contractor was appointed during the year to complete the priority works, mainly compartmentation works to communal areas of blocks, and improving the ventilation supply to the lobby area and an upgrade of the fire performance of the external panels along the escape route at one block. The financial plan allows for £5 million of fire and other building safety works over the next 5 years to meet the new requirements, which is relatively low compared to other London based housing associations.

The Board approved the establishment of a new programme board led by a resident Board member to plan and monitor how we meet the new fire safety and building safety requirements. A Building Safety Programme Plan has also been developed which focuses on three overall programme objectives: cultural change, data and the resident voice.

The Board has agreed plans for environmental works and improvements to fencing in response to Scrutiny Panel recommendations and consultation with residents. These were due to commence in 2020/21 but were impacted by the pandemic. The programmes will address repairs and improvements to refuse and other storage, play areas, security and green spaces, as well as boundary fencing and hedges. The environmental works will now commence with a pilot programme in 2021/22 in two locations, with a budget of £500,000 to test the approach and determine cost and quality benchmarks.

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During the year Phoenix employed 10 apprentices (including 5 in Phoenix Agency Services) through the Mayor of Lewisham's apprenticeship scheme. A training academy, Building Hope, operated by Barking & Dagenham College in partnership with Saint-Gobain and Barnardo's continued to operate from one of the community centres.

Our community engagement team directly supported 8 people into work, including 7 Phoenix residents, and supported 152 external training places through use of our buildings or other resources, benefitting 54 Phoenix residents. This is lower than previous years as the pandemic limited opportunities through our partners and contractors.

Operating performance during 2020/21 was maintained or improved in the majority of areas compared to the previous year. Key performance indicators for general needs housing and leaseholders are shown below.

Performance indicator	2020/21	2019/20	2018/19	2017/18	2016/17	Comment
Tenant satisfaction with Phoenix as a landlord	85%	n/a *	82%	n/a *	n/a *	STAR survey undertaken in 2020 showed tenant satisfaction with Phoenix as a landlord was in the upper quartile of landlords in London. *no survey undertaken in the year
Leaseholder satisfaction with Phoenix as a landlord	70%	n/a *	55%	n/a *	n/a *	STAR survey undertaken in 2020 showed an improvement in satisfaction compared to the last STAR survey in 2018. *no survey undertaken in the year
Rent collected as a percentage of gross rent receivable (excluding voids)	100.8%	99.3%	100.9%	100.5%	99.9%	Performance above target of 100% in 2020/21 despite the number of tenants on universal credit doubling. 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.
Leaseholder major works service charges - amounts collected in year	£0.3m	£0.4m	£0.5m	£0.9m	£1.8m	Performance just below target in 2020/21, reflecting focus on income collection combined with support for leaseholders. Collection lower than in previous years reflecting profile of charges for works.

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Performance indicator	2020/21	2019/20	2018/19	2017/18	2016/17	Comment
Leaseholder major works service charge arrears	£0.4m	£0.5m	£0.7m	£1.1m	£2.0m	Major works arrears continue to reduce in line with payment plans agreed with leaseholders.
Void loss as a percentage of gross rent receivable	0.59%	0.24%	0.29%	0.28%	0.37%	Void loss higher than target, mainly due to the higher number of days to relet properties.
Average number of days taken to relet a property (short-term voids)	66	22	23	23	22	Performance above target of 22 days. The turnaround of void properties was impacted by the pandemic, both on the HomeSearch lettings service, and delays in completing void works because of the need to limit the numbers of operatives working in a void property. Mobilisation of a new voids sub-contractor also took longer than anticipated.
Responsive repairs completed on time	96%	96%	98%	99%	98%	Performance on repairs was below target for completed on time but better than target for completed on first visit. The proportion of emergency repairs increased as a result of the pandemic, with a move to an essential repairs service during the lockdowns. The pandemic caused some access issues during the year. At the end of the year 15 general needs properties did not have a valid gas certificate
Responsive repairs completed right first time	96%	95%	92%	93%	93%	
Gas safety checks completed on time	99.7%	99.9%	100%	100%	100%	
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	38	27	16	12	8	Complaints policy focuses on resolution of complaints. Responses on average took longer than previous years but just above the revised target

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Performance indicator	2020/21	2019/20	2018/19	2017/18	2016/17	Comment
						of 37 days. New measures have been added to align with the new Housing Ombudsman Code for Complaints Handling
Complaints escalated above stage 1	9%	4%	6%	6%	0%	Escalation of complaints has increased compared to previous years but remains below the target of 10%.

Current tenant rent arrears increased to 6.2% as a percentage of rent receivable (5.1% at 31 March 2020). There were 1,290 tenants on Universal credit at the end of the year (609 more than at the beginning of the year) of which 64% were in arrears, contributing around 52% of the total arrears owed at the end of the year. Former tenant arrears reduced to 0.7% of rent receivable following decisions by the Executive Team to write off £210,000 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.

Key performance indicators for the extra care scheme for 2020/21, 2019/20 and 2018/19 are set out below (the scheme opened in November 2017).

Performance indicator	2020/21	2019/20	2018/19
Rent collected as a percentage of gross rent receivable (excluding voids)	100.4%	101.0%	100.7%
Total number of voids at 31 March	4	2	3
Property health and safety compliance	100%	100%	100%

Repairs completion performance for the subsidiary company, Phoenix Agency Services (PAS), is reflected in the Phoenix key performance indicators above. Satisfaction with repairs was below target at 89% which reflects the impact of the pandemic and a move to an essential repairs service only during the periods of lockdown. Average time to complete repairs was better than target at 6 days.

Home Makers provides a private lettings management service to other landlords in the Phoenix area, including Phoenix leaseholders who sublet their property as this was one of the promises to leaseholders at transfer. The subsidiary company commenced trading at the end of November 2018 and made a profit of £3,000 for the year to 31 March 2021, which was below target reflecting a lower number of properties in management, with the Covid19 pandemic initially impacting on the ability to view properties. The Board agreed to continue to support the operation of the subsidiary following a review in July 2020.

Home Makers increased the number of properties under management from 19 to 26, although this was below the target set by the Board. Home Makers collected 95% of rent due on behalf of landlords and the average time to relet a property was 16 days. Gas safety compliance was maintained for all Home Maker managed properties.

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 38 shows an operating surplus of £8.3 million (2020: £8.9million) on turnover of £33.3 million (2020: £36.9 million). Turnover was lower than 2019/20 as the prior year included the Heritage Lottery Fund grant (£3.4 million) towards the refurbishment of the Fellowship following the practical completion of the refurbishment in that year, and a reduction in service charges related to the termination of the water rates collection agreement with the utility provider with effect from April 2020. This was offset by an increase in rents of 2.7% from April 2020 (based on the September 2019 Consumer Prices Index plus 1% in line with the rent standard set by the Regulator) and the first tranche sales from our first shared ownership development scheme (£1.1 million).

Operating expenditure increased slightly to £26.8 million (2020: £26.6 million), mainly due to the cost of sales relating to the shared ownership first tranche sales (£1.1 million) and a provision established by the Board for the potential refund of water rates, offset by lower service costs following termination of the water rates collection agreement referred to above.

There is a deficit on recovery of service costs which include estate and environment costs, after the allocation of overheads. There are service and estate costs that are not recoverable from residents through service charges, in particular the cost of maintaining amenity greens including trees, flytipping, allotments and remote gardens.

The operating surplus of £8.3 million includes the surplus on property sales from the Preserved Right to Buy and Right to Acquire of £1.9 million (2020: surplus of £1.6 million) and a deficit of £64,000 on the revaluation of investment properties (2020: deficit of £2.9 arising on the Fellowship revaluation at 31 March 2020 following the reclassification of the commercial element as an investment property).

Net interest payable of £3.4 million was slightly higher than 2019/20 (£3.1 million) reflecting an additional planned drawdown from the private placement in March 2020.

The overall impact of the Covid 19 pandemic and government restrictions on the surplus for the year was neutral. The pandemic resulted in lower turnover than budgeted for 2020/21 due to delays in the handover of new schemes and reductions in commercial rents. This was offset by lower maintenance costs than budgeted with the restrictions limiting access to properties to carry out works. The level of capitalised interest was also lower as capitalisation was suspended where active development of schemes was paused due to the pandemic.

Other comprehensive income includes the actuarial losses in the year of £2.3 million (2020: gain of £4.1 million) in respect of the defined benefit pension schemes in which Phoenix participates. The change to a significant loss reflects the impact of higher assumptions for future inflation, including the impact of a change in approach to setting the inflation assumption, and lower discount rate.

The overall surplus for the year was £2.6 million (2020: £10.2 million), the most significant factor in the substantial decrease from 2019/20 being the actuarial losses in respect of the pension schemes compared to the actuarial gains of the previous year, an overall adverse variance of £6.4 million.

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The Consolidated Statement of Financial Position is shown on page 40. The net book value of housing property was £223.1 million at 31 March 2021 (2020: £214.5 million). Social Housing Grant and other grants of £11.5 million (2020: £10.0 million) received towards the cost of development of new homes is included in creditors. Once a development is complete, the related grant is amortised to income over the life of the structure.

Investment properties, which are all freehold, comprise the commercial element of the Fellowship, privately let garages and other commercial property. Investment properties are held at fair value. The valuation for the Fellowship is based on an open market valuation by professional valuers, Fleurets, at £530,000.

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 and Lewisham Council for the provision of a training kitchen. This category also includes the social element of the Fellowship let to Lewisham Music Services.

Properties for sale represents the cost attributable to the first tranche sales of a shared ownership scheme based on the expected equity share to be sold.

Debtors include £0.4 million (2020: £0.5 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. There was a small increase in current tenant rent arrears due mainly to the rise in the number of tenants receiving Universal Credit. The assessment of the bad debt provision in respect of tenant rent arrears has taken into account the impact of the welfare reforms including Universal Credit. Debtors at 31 March 2021 also included grant receivable of £0.7 million in respect of the Nuthatch House scheme which completed in February 2021.

Creditors due within one year at 31 March 2021 reflected a reduction in unamortised government grant following the completion of the Nuthatch House and Springbank Court schemes, with the related grants transferred to creditors due after one year. This was offset by an increase in trade creditors and accruals mainly related to development expenditure and the provision for the potential refund of water rates.

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 net liability of £1.1 million at 31 March 2021 (2020: net asset £1.3 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 decrease in the share of pension scheme net assets is due to actuarial losses of £2.3 million arising from the latest accounting valuation reflecting the impact of higher assumptions for future inflation and lower discount rate.

The revaluation reserve of £49.1 million (2020: £49.2 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 11 properties under the Right to Buy and 5 properties were purchased, resulting in a net transfer of £0.3 million from the revenue reserve to the restricted reserve.

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Cash inflows and outflows during the year are set out in the Consolidated Statement of Cash Flows on page 41. The cash inflow from operating activities was £16.5 million (2020: £13.4 million), including sales of property through the Right to Buy which generated £2.2 million (2020: £1.6 million). During the year, the Group spent £11.5 million (2020: £17.3 million) on housing properties and the construction of new homes and £1.3 million (2020: £1.9 million) on other fixed assets, including the Digital Together Project. Grants received totalled £2.4 million (2020: £3.5 million). Interest paid was £3.6 million (2020: £3.5 million).

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

£000	2020/21	2019/20	2018/19	2017/18	2016/17
Turnover	33,276	36,870	33,135	33,229	33,423
Operating surplus	8,281	8,974	8,905	10,943	9,092
<i>Operating margin %</i>	<i>25%</i>	<i>24%</i>	<i>27%</i>	<i>33%</i>	<i>27%</i>
Net Interest payable	(3,390)	(2,956)	(2,808)	(2,380)	(2,157)
Break costs and write-off of arrangement fees	-	-	-	(9,458)	-
Surplus/(deficit) before tax	4,891	6,018	6,097	(895)	6,935
Tax credit/(charge)	20	40	(38)	27	(33)
Other comprehensive income – actuarial gains/(losses) on pension schemes	(2,331)	4,109	(845)	757	(248)
Net surplus/(deficit)	2,580	10,167	5,214	(111)	6,654
Housing properties	223,135	214,468	200,346	191,196	186,339
Investment property	764	662	185	185	577
Other fixed assets – tangible assets	7,184	7,305	10,093	7,562	6,546
Other fixed assets – intangible assets	1,904	1,766	1,341	888	870
Net current assets/(liabilities)	22,672	18,235	13,915	5,588	(149)
Unamortised grant	(8,033)	(4,793)	(4,818)	(4,865)	(263)
Other liabilities	(124)	(124)	(124)	(1,213)	(1,299)
Loans	(94,506)	(89,498)	(79,503)	(64,763)	(57,583)
Pensions asset/(liability)	(1,121)	1,274	(2,307)	(864)	(1,277)
Revenue reserves and share capital	102,151	99,840	88,352	81,394	83,334
Revaluation reserve	49,131	49,203	49,242	49,302	49,443
Restricted reserve	593	252	1,534	3,218	1,247
Net cash inflow from operating activities	16,548	13,358	13,856	17,306	14,206
Net interest cash outflow	(3,588)	(3,352)	(3,031)	(2,270)	(2,188)
Break costs and arrangement fees	-	-	-	(9,112)	-
Capital expenditure	(12,782)	(19,211)	(16,023)	(11,237)	(17,278)
Grants	2,413	3,489	2,200	2,493	700
Loans drawn down (net)	5,000	10,000	14,750	7,000	4,750
Number of properties					
General needs	5,357	5,341	5,336	5,335	5,357
Supported	60	60	60	60	-
Shared ownership	8	-	-	-	-
Leaseholders	849	851	856	868	856

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Future prospects

The impact of the pandemic is not over. As government eases the current restrictions and some predictability is restored, our renewal plans are prioritising the safety of residents and staff, including community and staff initiatives to promote wellbeing and mental health awareness. We have a strong liquidity position and continue to closely monitor key performance indicators around income collection and compliance.

We are enhancing our approach to resident safety and have set up a programme board to monitor progress and compliance with building safety and a new strategy setting out how we will meet the new requirements. We will also work on delivering our Sustainability Strategy to help us achieve a minimum energy standard for our properties of EPC C by 2030 and net zero carbon emissions by 2050. We will continue implementation of the Digital Together project to further enhance customer service, improve efficiency and enable our residents to access services digitally if they choose to.

A major focus for 2021/22 will be the Grove Park stock acquisition and the associated due diligence, legal work and resident consultation. New funding will be required for the acquisition for which the Board has agreed a funding strategy.

In May 2021 our Chief Executive, Jim Ripley, announced his plans to retire. The Board has agreed a recruitment process for his successor, with the aim of appointing a new Chief Executive by September.

The Board considered an independent report on the options for delivery of the repairs service and agreed to set up a strategic group comprising members from the Board, the Phoenix Agency Services Board and the Phoenix Gateway Committee to further evaluate whether to retain the Phoenix Repairs Service as a wholly owned subsidiary or create an in house service within Phoenix.

Home Makers has a business plan which targets growth in the number of properties under management to 175 over the next five years. It is intended that a large proportion of future profits will be gifted for the provision of social 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% for five years from 2020.

There is uncertainty over the longer term economic impact of the pandemic and the policy and legislative response from government. This risk is being managed by regular monitoring of policy announcements and stress testing of the financial plan.

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Stock acquisition

The proposed Grove Park stock acquisition is a major undertaking for Phoenix. There is a risk of disruption to services due to its size relative to the current stock, which may result in loss of reputation and capacity to manage other priorities and services to existing residents. The acquisition will be wholly debt financed and therefore there is a risk that it may adversely impact on our financial viability. These risks are being managed through a dedicated project team reporting to a sub-group of the Board and a programme of due diligence. The Board will review the results of due diligence and other work before deciding whether to proceed with the acquisition.

Rent collection and welfare reform

The roll out of Universal Credit and implementation of other changes to welfare benefits and tax credits are having an increasing impact on our residents. 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. Work on current schemes on site has been disrupted by the pandemic but there are no risks to grants at this stage and regular liaison is maintained with the Greater London Authority and Lewisham Council. There is ongoing assessment of the impact of the pandemic and Brexit on contractors and their supply chains.

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 and Safety legislation

Phoenix as a landlord and employer has considerable health and safety responsibilities. The risk of non-compliance has increased due to the pandemic as access to residents' homes to undertake checks has been restricted where residents are self-isolating or shielding. Our Phoenix Repairs Service and estates staff all have the appropriate personal protective equipment to undertake their roles safely. Phoenix will also need to meet the new fire safety and building safety requirements being introduced following the Grenfell tragedy.

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. We are enhancing our approach to resident safety and have set up a programme board to monitor progress and compliance with building safety and the Board has approved a new strategy setting out how we will meet new requirements.

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

The Regulatory Framework includes a standard on Value for Money. The Board has approved a value for money strategy which will be reviewed during 2021/22, and considers the results of benchmarking through Housemark as well as the value for money metrics set by the Regulator. The increasing costs arising from building safety requirements and improvements to the energy efficiency of homes, as well as the continuing need for new affordable homes, means that efficiency and effectiveness are of increasing importance.

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Resident leadership

There is a risk that our resident leadership is diluted as the government restrictions have limited opportunities for resident engagement, and the shift for many staff to homeworking may lead to a long term change in culture away from our Gateway Model. This risk is being managed through the business renewal strategy group, including 3 board members, and the planned review of the Community Empowerment and Engagement Strategy in 2021/22.

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 had bank loan facilities of £40 million at 31 March 2021 (2020: £40 million) which were increased to £50 million in July 2021. The Association has also raised £75 million of debt funding (2020: £75 million) through a Private Placement.

The Association had drawn debt of £95 million at 31 March 2021. In addition, Phoenix has £30 million available to be drawn from a revolving loan facility for future development. The loan facilities and Private Placement are secured on a proportion of the Association's housing stock, with over 2,500 properties available to charge for any new borrowing. 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 2021, 100% (2020: 100%) 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 2021 of £51 million (2020: £43 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 2021, the Association's exposure to refinance risk within one year was £nil (2020: £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 2021, the Group had £9.9 million (2020: £12.2 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 2021, 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.

After reviewing the budget for 2021/22, 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 8. The Board reviewed and approved in March 2021 the strategic priorities and key projects for 2021/22. This is supported by the Value for Money Strategy approved by the Board 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:

- set a robust approach to achieving VFM, including a rigorous approach to option appraisal and the delivery structures for all our services;
- assess the return on our assets so we can get the most benefit from them now and in the future;
- set targets to measure our performance in achieving VFM against our plans and consult, scrutinise, monitor and report on our aims and what we achieve with residents and other stakeholders.

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. Due to the impact of the pandemic in 2020/21, the Board agreed to revise some targets and deadlines for strategic aims and key projects. Key value for money initiatives for 2020/21 included:

- implementing a new cost model for major works with Phoenix Agency Services;
- reviewing the development appraisal assumptions to support the bid for grant for new homes to the GLA;

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- continued implementation of the second phase of the Digital Together programme, as well as additional projects being added to enable Community Chest voting to be recorded digitally, Summer Fun events and our training academy to be delivered online, access to non-compliant homes to be tracked on the client relationship management system, and the roll out of Microsoft Teams to staff to enable home working.

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 2020/21 compared to 2019/20 and the budget for 2021/22 are set out in the table below, including comparisons to our peer group of London associations for 2019/20, the latest available information. The budget for 2021/22 excludes the impact of the potential Grove Park stock acquisition.

The principal activity of the Group is the provision of social housing, the majority of which is 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.

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Value for Money Metrics		better than median performance compared to peer group (London associations - group basis)					worse than median performance compared to peer group (London associations - group basis)	
			Actual	Actual	Budget	Trend 2020/21	Median	Comment
			2019/20	2020/21	2021/22		(London associations)	
			£'000	£'000	£'000			
1	Reinvestment %		8.7%	5.93%	8.9%	↓	6.0%	Decrease from 2019/20 reflects lower expenditure on development of new homes and purchase and repair programme due to the pandemic
2a	Number of new homes acquired or delivered in the year as a % of home owned		0.26%	0.56%	0.92%	↑	1.3%	30 new homes completed in 2020/21 plus 5 purchase and repair properties
2b	New supply delivered - non-social housing		0%	0%	0%		0%	No completions of non-social housing
3	Gearing %		30.6%	28.2%	30.9%	↓	38.7%	Relatively low gearing compared to peers
4	EBITDA MRI interest cover %		317%	195%	157%	↓	121%	2020/21 lower than previous year due to Heritage Lottery Grant received in 2019/20 plus higher interest payable following further drawdowns from the private placement
5	Social housing cost per unit		4,623	4,499	4,893	↓	6,200	Reduction in 2020/21 cost per unit due to termination of water rates collection agreement
6a	Operating margin (social housing lettings only) excluding surplus on disposal of assets		23.7%	25.1%	25.5%	↑	23.7%	Increase in operating margin in 2020/21 due to increase in rents at CPI plus 1% as permitted by the rent standard
6b	Operating margin excluding surplus on disposal of assets		27.9%	19.3%	21.3%	↓	18.6%	Lower operating margin than previous year due to Heritage Lottery Grant received in 2019/20 plus impact of impairment and a provision for refunding water rates
7	Return on capital employed		4.9%	3.3%	3.2%	↓	2.4%	Lower EBITDA in 2020/21 due to Heritage Lottery Grant received in 2019/20

Reinvestment and new supply

Our corporate objectives include growing in size through the development of new homes and services and through stock acquisition. There are currently over 10,000 households on the Lewisham Council waiting list for social housing but only 1,000 homes coming available each year. 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 currently on site are for London Affordable Rent, and these are forecast to complete in 2021/22. Planning and procurement is also progressing on the development of a further 144 new homes for London Affordable Rent and shared ownership to be delivered over the next three 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 5 properties in 2020/21 and are planning to acquire a further 8 properties in

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2021/22. The Board has also approved a conditional offer for the acquisition of around 1,600 homes on the Grove Park estate which will increase the number of homes we own and manage by approximately 20%.

The private lettings management subsidiary, Home Makers, has a plan to increase the number of properties in management to generate profits and assist in the management of the Phoenix estates.

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 forecast to increase slightly as expenditure is incurred on the additional development noted above.

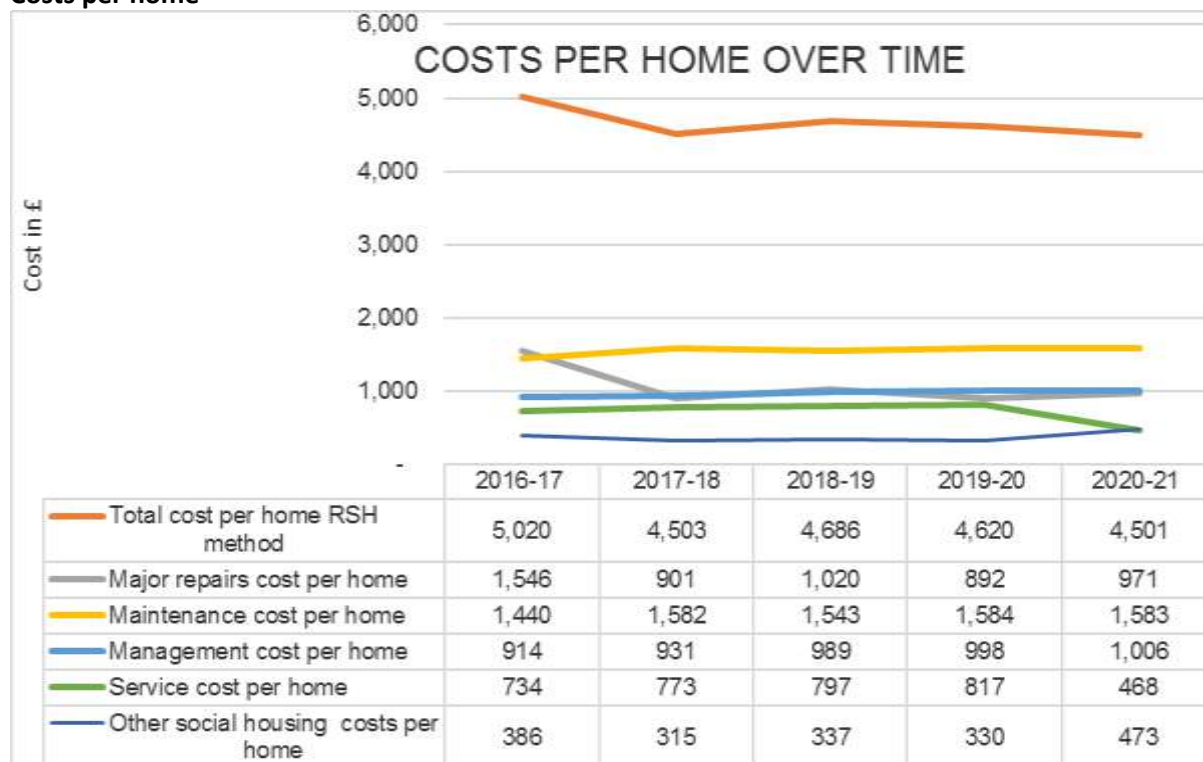
EBITDA MRI interest cover

The ratio for 2020/21 has decreased compared to 2019/20 due to the Heritage Lottery Grant received in 2019/20 for the refurbishment of the Fellowship Inn, plus higher interest payable following further drawdowns from the private placement in March 2020.

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. Our costs per home have decreased over the last 5 years which is illustrated in the graph below.

Costs per home



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The table below compares our cost data to the median of London based Associations (consolidated) with more than 1,000 Social Housing homes for 2019/20 (the latest available data):

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Management cost per home	Between median and lower quartile (lowest cost)	The more detailed benchmarking of costs via Housemark confirms that we provide an efficient housing management service.	The Digital Together project will enable further efficiencies to be made in the delivery of services.
Service Charge cost per home	Between median and lower quartile	Service costs previously included water rates where we acted as an agent on behalf of the utility company. Our service costs for 2020/21 are just above the lower quartile (lowest cost).	The majority of service costs are covered by service charges to residents.
Maintenance cost per home	Between median and upper quartile	There was a reduction in maintenance costs in 2020/21 with Covid restrictions limiting access to some properties to carry out works.	The budget for 2021/22 allows for some backlog repairs from 2020/21 to be completed and reflects continued focus on safety compliance programmes. A 'MOT' approach for gas servicing will be introduced during 2021/22.
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. The budget for 2021/22 includes additional programmes for environmental works, building safety and energy improvement.
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 2021/22 reflects a continuing commitment to support community regeneration activities at 2.9% of operating costs.

Operating margin

Our social housing lettings operating margin (excluding the surplus on disposal of assets) increased to 25% in 2020/21 due to the increase in rents of 2.7% from April 2020 (based on the September 2019 Consumer Prices Index plus 1% in line with the rent standard set by the Regulator). The operating margin reflects 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 rent framework for all our properties, our turnover would be £2.2 million higher and the operating margin would be 31%.

Phoenix Community Housing Board Report

Return on capital employed

The return on capital employed decreased slightly to 3.3% in 2020/21 due to 2019/20 including the Heritage Lottery Grant for the refurbishment of the Fellowship Inn. 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. All properties currently have positive net present values. The system also helps to plan future programmes of major works and component replacements.

Phoenix invested £4.8 million in the Fellowship Inn project and related community regeneration activities, supported by £4.1 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.

Additional value for money metrics

The Board sets targets taking into account benchmarking with our peer group across a range of indicators. The following indicators provide a value for money context in terms of efficiency.

Value for MoneyAdditional Metrics		better than median performance compared to peer group (London associations - group basis)						
		worse than median performance compared to peer group (London associations - group basis)						
			Actual	Actual	Target	Trend 2020/21	Median (London associat ions)	Comment
			2019/20	2020/21	2021/22			
			£'000	£'000	£'000			
1	Tenant satisfaction		82.0%	85.0%	> 85%	↑	75.0%	Tenant satisfaction improved in 2020/21 reflecting our rapid and efficient response to Covid19
2	Void loss as a percentage of rent receivable		0.2%	0.6%	0.5%	↓	0.7%	Void loss increased in 2020/21 due to the impact of safe operating procedures implemented as a result of the pandemic on the time to undertake void repairs and let properties
3	Rent arrears		5.4%	6.2%	6.2%	↓	3.9%	Impact of increase in number of tenants on Universal Credit
4	Average number of days sick per member of staff		7.8	5.1	5.5	↑	11.2	Reduction in the number of days sick reflects the flexible working arrangements adopted during the pandemic

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 over £170 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.

Phoenix Community Housing Board Report

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 Resident Empowerment and Community Engagement Strategy. A relatively small investment can help to transform an individual's life and also improve a neighbourhood. While face to face projects were limited in 2020/21 a range of initiatives continued, adopting new ways of working, including Summer Fun and Diversity celebrations, wellbeing projects and both digital and financial inclusion initiatives. Our community facilities also enabled coronavirus testing and food distribution hubs to be set up in the community.

The total cost of our community empowerment and regeneration activities in 2020/21 was £712,000 net of income received, around 2.9% of total operating costs (£680,000 net of income in 2019/20; 2.7% 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. All projects assessed achieved positive returns dependent on numbers reached and external grants received. The results are used to plan activities in the future and maximise future outcomes. The Scrutiny Panel carried out a review of how we assess Social Value and endorsed the models used.

Value for money gains

As noted in last year's statement, the focus for 2020/21 was on responding to the pandemic, although some key value for money initiatives continued, in particular the continued implementation of the Digital Together project including a self-service portal for residents which went live in May 2021.

Some £30,000 of savings from procurement and other activities were recorded in the value for money register, along with £8,000 of donations of IT equipment to help residents who faced digital exclusion.

Phoenix Agency Services received £190,000 in furlough grant to support the retention of staff during the lockdown periods where services were reduced to essential repairs. The Home Makers business did not achieve its growth targets and therefore no gift aid payment in respect of profits was possible.

In addition to the social returns noted above, other non-cash value for money gains included:

- supporting residents to gain £438,000 in additional benefits and grants;
- obtaining training and conference places in exchange for speaking at sessions; and
- work experience and apprenticeships with our contactors.

Value for Money gains including the reductions in operating costs from previous years have been invested as follows:

- funding for the development of new homes;
- community investment; and
- meeting additional costs regarding fire safety works as well as other costs such as the impact of the General Data Protection Regulation.

Phoenix Community Housing Board Report

Future plans

Major initiatives which aim to improve value for money for 2021/22 are:

- continued implementation of phase 2 of the Digital Together project including the self-service portal for residents, which is expected to generate cashable savings in 2022/23;
- continued development of new homes;
- getting to know our residents better so we can improve our services;
- completing our review of the use of the Green Man and our community centres to maximise the benefits to our community;
- maximising choice-based lettings so as many people can move when we get one empty home or build a new one;
- moving to a 12 month cycle for gas servicing where possible using the 'MOT' approach; and
- concluding the formal review of Phoenix Agency Services.

The proposed Grove Park stock acquisition also provides an opportunity to improve our value for money metrics in relation to operating margin and operating cost per property, through the ability to spread central service team costs over a larger number of properties. However it will result in a decline in our interest cover and increase in our gearing (both of which are currently upper quartile compared to our peers) as the acquisition will be wholly debt funded.

The latest approved financial plan reflects anticipated savings (£150,000) in 2022/23 from the Digital Together project. Further savings of £100,000 relating to implementation of the IT strategy are also factored in and gas servicing costs are projected to reduce by £50,000 with the implementation of the 'MOT' approach.

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 2020 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 2021. 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.

Phoenix Community Housing Board Report

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 auditor, 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

Phoenix Community Housing Board Report

- 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 an anti-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 Auditor

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 auditor was 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 auditor was aware of that information.

Auditor

A resolution to reappoint the auditor, KPMG LLP, will be proposed at the next Annual General Meeting in September 2021.

On behalf of the Board
Anne McGurk
Chair

Date: 29 July 2021

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 2019. 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

Opinion

We have audited the financial statements of Phoenix Community Housing ("the association") for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Changes in Reserves, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

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 2021 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 prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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.

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's 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").

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's and the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's and the association's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board, the Audit Committee, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Development Committee, Human Resources and Remuneration Committee and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from activities other than social housing lettings is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted by infrequent posters, unusual postings to revenue accounts and unusual postings to cash accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related *co-operative & community benefit society*

legislation), and taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: health and safety, employment and general data protection recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Other information

The Association's Board is responsible for the other information, which comprises the Board's Annual Report and Statement on System of Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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 its 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 explained more fully in their statement set out on page 33, 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.

Phoenix Community Housing

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 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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
TURNOVER	4	33,276	36,870
Operating expenditure	4	(26,844)	(26,590)
Loss on revaluation of investment property	4	(64)	(2,913)
Gain on sale of property, plant and equipment	8	1,913	1,607
OPERATING SURPLUS	4	8,281	8,974
Interest receivable	9	135	106
Interest payable and financing costs	10	(3,525)	(3,062)
SURPLUS FOR THE YEAR BEFORE TAXATION	5	4,891	6,018
Tax credit on surplus on ordinary activities	11	20	40
SURPLUS FOR THE YEAR		4,911	6,058
OTHER COMPREHENSIVE INCOME			
Actuarial (loss)/gain on pension schemes	30	(2,331)	4,109
TOTAL COMPREHENSIVE INCOME		2,580	10,167

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 29 July 2021 and were signed on its behalf by:

Anne McGurk
Chair

Mark Gayfer
Board Member

Chris Starke
Secretary

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2021

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2019	88,348	49,242	1,534	139,124
Surplus for the year	6,058	-	-	6,058
Actuarial gain	4,109	-	-	4,109
Transfer between reserves	1,321	(39)	(1,282)	-
Balance at 31 March 2020	99,836	49,203	252	149,291
Surplus for the year	4,911	-	-	4,911
Actuarial loss	(2,331)	-	-	(2,331)
Transfer between reserves	(269)	(72)	341	-
Balance at 31 March 2021	102,147	49,131	593	151,871

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 2021

		2021 £000	2020 £000
FIXED ASSETS	Note		
Housing properties	12	223,135	214,468
Investment properties	13	764	662
Other fixed assets – intangible assets	14	1,904	1,766
Other fixed assets – tangible assets	15	7,184	7,305
		<hr/>	<hr/>
		232,987	224,201
		<hr/>	<hr/>
CURRENT ASSETS			
Properties for sale	16	79	1,179
Stock and work in progress	17	120	141
Trade and other debtors	18	4,219	4,815
Cash and cash equivalents	19	31,495	23,904
		<hr/>	<hr/>
		35,913	30,039
Pension asset	30	834	2,285
CREDITORS: Amounts falling due within one year	20	(13,241)	(11,804)
		<hr/>	<hr/>
NET CURRENT ASSETS		23,506	20,520
		<hr/>	<hr/>
CREDITORS: Amounts falling due in more than one year	21	(102,663)	(94,415)
Pension liability	30	(1,955)	(1,011)
		<hr/>	<hr/>
NET ASSETS		151,875	149,295
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Non-equity share capital	25	4	4
Revenue reserve		102,147	99,836
Revaluation reserve		49,131	49,203
Restricted reserve		593	252
		<hr/>	<hr/>
		151,875	149,295
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 29 July 2021 and were signed on its behalf by:

Anne McGurk
Chair

Mark Gayfer
Board Member

Chris Starke
Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
NET CASH GENERATED FROM OPERATING ACTIVITIES	26	<u>16,548</u>	<u>13,358</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(11,459)	(17,343)
Purchase of fixed assets – investment properties		(56)	-
Purchase of other fixed assets		(1,267)	(1,868)
Grants received		2,413	3,489
Interest received		40	106
		<u>(10,329)</u>	<u>(15,616)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		-	-
Loans received		5,000	10,000
Interest paid		(3,628)	(3,458)
		<u>1,372</u>	<u>6,542</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		7,591	4,284
CASH AND CASH EQUIVALENTS AT 1 APRIL		<u>23,904</u>	<u>19,620</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH		<u>31,495</u>	<u>23,904</u>

The accompanying notes form part of these financial statements.

Association Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
TURNOVER	4	33,770	37,314
Operating expenditure	4	(27,141)	(26,919)
Loss on revaluation of investment property	4	(64)	(2,913)
Gain on sale of property, plant and equipment	8	<u>1,913</u>	<u>1,607</u>
OPERATING SURPLUS	4	8,478	9,089
Interest receivable	9	114	106
Interest payable and financing costs	10	<u>(3,525)</u>	<u>(3,039)</u>
SURPLUS FOR THE YEAR	5	5,067	6,156
OTHER COMPREHENSIVE INCOME			
Actuarial (loss)/gain on pension schemes	30	<u>(1,730)</u>	<u>2,277</u>
TOTAL COMPREHENSIVE INCOME		<u><u>3,337</u></u>	<u><u>8,433</u></u>

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 29 July 2021 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 2021

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2019	88,818	49,242	1,534	139,594
Surplus for the year	6,156	-	-	6,156
Actuarial gain	2,277	-	-	2,277
Transfer between reserves	1,321	(39)	(1,282)	-
Balance at 31 March 2020	98,572	49,203	252	148,027
Surplus for the year	5,067	-	-	5,067
Actuarial loss	(1,730)	-	-	(1,730)
Transfer between reserves	(269)	(72)	341	-
Balance at 31 March 2021	101,640	49,131	593	151,364

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 2021

		2021 £000	2020 £000
FIXED ASSETS	Note		
Housing properties	12	223,135	214,468
Investment properties	13	764	662
Other fixed assets – intangible assets	14	1,904	1,766
Other fixed assets – tangible assets	15	7,151	7,305
Investment in subsidiary undertakings	33	640	640
		<u>233,594</u>	<u>224,841</u>
CURRENT ASSETS			
Properties for sale	16	79	1,179
Stock	17	-	7
Trade and other debtors	18	4,364	4,879
Cash and cash equivalents	19	<u>29,843</u>	<u>23,789</u>
		34,286	29,854
Pension asset	30	755	1,559
CREDITORS: Amounts falling due within one year	20	<u>(12,649)</u>	<u>(12,797)</u>
NET CURRENT ASSETS		<u>22,392</u>	<u>18,616</u>
CREDITORS: Amounts falling due in more than one year	21	(102,663)	(94,415)
Pension liability	30	(1,955)	(1,011)
NET ASSETS		<u>151,368</u>	<u>148,031</u>
CAPITAL AND RESERVES			
Non-equity share capital	25	4	4
Revenue reserve		101,640	98,572
Revaluation reserve		49,131	49,203
Restricted reserve		<u>593</u>	<u>252</u>
		<u>151,368</u>	<u>148,031</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 29 July 2021 and were signed on its behalf by:

Anne McGurk
Chair

Mark Gayfer
Board Member

Chris Starke
Secretary

Notes to the Financial Statements

For the year ended 31 March 2021

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

These financial statements are prepared in accordance with Financial Reporting Standard 102, the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102), and the Statement of Recommended Practice and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

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 undertakings using the purchase method. 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, except that investment property is stated at its fair value:

(a) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 40-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan including severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Group and Association budgets for 2021/22 and the Group's medium term financial position as detailed in the 40 year business plan including the impact of the potential stock acquisition, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

(a) Going concern (continued)

- Maintenance costs – consideration of the potential impact of increases in costs and delays in expenditure, including delays in major works programmes.
- Rent and service charges – consideration of potential increases in arrears and bad debts and the potential impact of future rent reductions.
- Property market impacts – consideration of the Group's and the Association's exposure to the market, including the impact of fewer sales or lower sales values and the impact of potential tenure changes.
- Liquidity – consideration of available cash and unused loan facilities.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(b) 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.

(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.

The Association applied 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).

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:

(c) Property, plant and equipment (continued)

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
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(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 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 carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus, either through reduced contributions in the future or through refunds from the scheme.

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.

(s) Leases (continued)

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.

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.

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) 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. For those assets where an indicator of impairment is identified the carrying amount of the asset is compared to its recoverable amount to determine if an impairment loss has occurred.

(b) Investment properties

An independent valuation by professional valuers, Fleurets, has been undertaken as at 31 March 2021. In light of the pandemic, Fleurets have included a 'material uncertainty' clause in line with RICS guidance, meaning that less certainty and a higher degree of caution should be attached to their valuation than would normally be the case. The Board consider that the valuation is reflective of the fair value taking into account the location of the property in a secondary retail area, the tenure being leasehold rather than freehold and limited alternative use.

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

	2021				
	Turnover	Cost of Sales	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000
Social housing lettings (note 4b)	30,682	-	(22,994)	-	7,688
Current asset property sales	1,095	(1,082)	-	-	13
Development costs not capitalised	-	-	(855)	-	(855)
Other social housing activities	110	-	(842)	-	(732)
	<u>31,887</u>	<u>(1,082)</u>	<u>(24,691)</u>	<u>-</u>	<u>6,114</u>
Activities other than social housing activities					
Leaseholders	914	-	(1,007)	-	(93)
Other income	97	-	(64)	-	33
Grant income	378	-	-	-	378
	<u>1,389</u>	<u>-</u>	<u>(1,071)</u>	<u>-</u>	<u>318</u>
Loss on revaluation of investment property	-	-	-	(64)	(64)
Gain on disposal of property	-	-	-	1,913	1,913
	<u>33,276</u>	<u>(1,082)</u>	<u>(25,762)</u>	<u>1,849</u>	<u>8,281</u>
Group particulars of turnover, operating costs and operating surplus					
	2020				
	Turnover	Cost of Sales	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000
Social housing lettings (note 4b)	31,953	-	(24,372)	-	7,581
Development costs not capitalised	-	-	(620)	-	(620)
Other social housing activities	331	-	(292)	-	39
	<u>32,284</u>	<u>-</u>	<u>(25,284)</u>	<u>-</u>	<u>7,000</u>
Activities other than social housing activities					
Leaseholders	1,059	-	(1,213)	-	(154)
Other income	107	-	(93)	-	14
Grant income	3,420	-	-	-	3,420
	<u>4,586</u>	<u>-</u>	<u>(1,306)</u>	<u>-</u>	<u>3,280</u>
Loss on revaluation of investment property	-	-	-	(2,913)	(2,913)
Gain on disposal of property	-	-	-	1,607	1,607
	<u>36,870</u>	<u>-</u>	<u>(26,590)</u>	<u>(1,306)</u>	<u>8,974</u>

4 Turnover, Operating Costs and Operating Surplus (continued)

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

	2021				
	Turnover	Cost of Sales	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000
Social housing lettings (note 4b)	30,682	-	(22,865)	-	7,817
Current asset property sales	1,095	(1,082)	-	-	13
Development costs	-	-	(855)	-	(855)
Other social housing activities	665	-	(1,332)	-	(667)
	<u>32,442</u>	<u>(1,082)</u>	<u>(25,052)</u>	<u>-</u>	<u>6,308</u>
Activities other than social housing activities					
Leaseholders	914	-	(1,007)	-	(93)
Other income	36	-	-	-	36
Grant income	378	-	-	-	378
	<u>1,328</u>	<u>-</u>	<u>(1,007)</u>	<u>-</u>	<u>321</u>
Loss on revaluation of investment property	-	-	-	(64)	(64)
Gain on disposal of property	-	-	-	1,913	1,913
	<u>33,770</u>	<u>(1,082)</u>	<u>(26,059)</u>	<u>1,849</u>	<u>8,478</u>
Association particulars of turnover, operating costs and operating surplus					
	2020				
	Turnover	Cost of Sales	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000
Social housing lettings (note 4b)	31,953	-	(24,297)	-	7,656
Development costs	-	-	(620)	-	(620)
Other social housing activities	826	-	(782)	-	44
	<u>32,779</u>	<u>-</u>	<u>(25,699)</u>	<u>-</u>	<u>7,080</u>
Activities other than social housing activities					
Leaseholders	1,059	-	(1,213)	-	(154)
Other income	56	-	(7)	-	49
Grant income	3,420	-	-	-	3,420
	<u>4,535</u>	<u>-</u>	<u>(1,220)</u>	<u>-</u>	<u>3,315</u>
Loss on revaluation of investment property	-	-	-	(2,913)	(2,913)
Gain on disposal of property	-	-	-	1,607	1,607
	<u>37,314</u>	<u>-</u>	<u>(26,919)</u>	<u>(1,306)</u>	<u>9,089</u>

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Group particulars of turnover and operating expenditure from social housing lettings	General Needs 2021 £000	Supported Housing 2021 £000	Total 2021 £000	Total 2020 £000
Income				
Rent receivable net of identifiable service charges	28,565	478	29,043	28,386
Service charge income	1,267	289	1,556	3,486
Amortised government grant	37	46	83	81
Turnover from social housing lettings	29,869	813	30,682	31,953
Operating expenditure				
Management	5,293	167	5,460	5,388
Service charge costs	2,301	238	2,539	4,409
Routine maintenance	5,731	-	5,731	5,897
Planned maintenance	2,834	21	2,855	2,657
Major repairs expenditure	1,235	-	1,235	1,075
Bad debts	200	-	200	293
Depreciation of housing properties	3,634	203	3,837	3,781
Impairment of housing properties	269	-	269	-
Other costs	868	-	868	872
Operating expenditure on social housing lettings	22,365	629	22,994	24,372
Operating surplus on social housing lettings	7,504	184	7,688	7,581
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	173	39	212	110

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Association particulars of turnover and operating expenditure from social housing lettings	General Needs 2021 £000	Supported Housing 2021 £000	Total 2021 £000	Total 2020 £000
Income				
Rent receivable net of identifiable service charges	28,565	478	29,043	28,386
Service charge income	1,267	289	1,556	3,486
Amortised government grant	37	46	83	81
Turnover from social housing lettings	29,869	813	30,682	31,953
Operating expenditure				
Management	5,293	167	5,460	5,388
Service charge costs	2,301	238	2,539	4,409
Routine maintenance	5,602	-	5,602	5,822
Planned maintenance	2,834	21	2,855	2,657
Major repairs expenditure	1,235	-	1,235	1,075
Bad debts	200	-	200	293
Depreciation of housing properties	3,634	203	3,837	3,781
Impairment of housing properties	269	-	269	-
Other costs	868	-	868	872
Operating expenditure on social housing lettings	22,236	629	22,865	24,297
Operating surplus on social housing lettings	7,633	184	7,817	7,656
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	173	39	212	110

5 Surplus for the Year – Group and Association

	2021	2020
	£000	£000
Group		
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,837	3,781
Impairment of housing properties	269	-
Depreciation of other fixed assets	359	327
Amortisation of intangible fixed assets	594	435
Amortisation of government grant	(83)	(81)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditor	42	41
- for other services	3	17
Operating lease rentals	159	154
	2021	2020
	£000	£000
Association		
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,837	3,781
Impairment of housing properties	269	-
Depreciation of other fixed assets	347	327
Amortisation of intangible fixed assets	594	435
Amortisation of government grant	(83)	(81)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditor	35	35
- for other services	3	17
Operating lease rentals	159	154

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.

	2021	2020
	£000	£000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	719	617
Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind)	<u>143</u>	<u>140</u>
Expenses paid during the year to Board Members	<u>-</u>	<u>-</u>

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 £9,077 in the year (2020: £8,774). 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:

	2021	2020
	Number	Number
£60,001 to £70,000	6	4
£70,001 to £80,000	3	4
£80,001 to £90,000	5	4
£90,001 to £100,000	2	-
£100,001 to £110,000	-	1
£110,001 to £120,000	-	1
£120,001 to £130,000	2	1
£130,001 to £140,000	1	1
£140,001 to £150,000	-	1
£150,001 to £160,000	1	-

The aggregate amount of compensation payable to directors in respect of loss of office was £nil (2020: £nil).

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 2021:

	2021 Number	2020 Number
Office staff	169	160
Caretakers and estates staff	26	30
Maintenance	51	51
	<hr/> 246	<hr/> 241
	<hr/>	<hr/>
	2021 £000	2020 £000
Staff costs (for the above persons):		
Wages and salaries	9,775	9,298
Social security costs	1,002	949
Pension costs	1,105	1,334
	<hr/> 11,882	<hr/> 11,581
	<hr/>	<hr/>

Association

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2021:

	2021 Number	2020 Number
Office staff	148	140
Caretakers and estates staff	26	30
	<hr/> 174	<hr/> 170
	<hr/>	<hr/>
	2021 £000	2020 £000
Staff costs (for the above persons):		
Wages and salaries	6,952	6,648
Social security costs	703	680
Pension costs	752	956
	<hr/> 8,407	<hr/> 8,284
	<hr/>	<hr/>

8 Gain on Sale of Property, Plant and Equipment

	2021 £000	2020 £000
Group and Association		
Disposal proceeds	2,315	1,912
Less: cost of sales	(402)	(305)
	<u>1,913</u>	<u>1,607</u>

9 Interest Receivable

	2021 £000	2020 £000
Group		
Net interest on defined benefit asset	95	-
From bank deposits	<u>40</u>	<u>106</u>
	<u>135</u>	<u>106</u>
Association		
Net interest on defined benefit asset	74	-
From bank deposits	<u>40</u>	<u>106</u>
	<u>114</u>	<u>106</u>

10 Interest Payable and Financing Costs

	2021 £000	2020 £000
Group and Association		
On housing loans	3,820	3,427
Amortisation of loan arrangement fees	14	13
Net interest on defined benefit liability	22	59
Less: capitalised interest	<u>(331)</u>	<u>(437)</u>
	<u>3,525</u>	<u>3,062</u>

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 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 credit for deferred tax of £20,000 (2020: credit £40,000) for Phoenix Agency Services.

12 Tangible Fixed Assets – Housing Properties

Group and Association	Completed held for letting £000	Under construction £000	Total £000
Cost			
At 1 April 2020	216,332	18,404	234,736
Additions	5,364	7,862	13,226
Reclassification	-	(110)	(110)
Transfer	8,948	(8,948)	-
Disposals	(417)	-	(417)
At 31 March 2021	230,227	17,208	247,435
Depreciation			
At 1 April 2020	19,763	-	19,763
Charge for period	3,837	-	3,837
Released on disposal	(74)	-	(74)
At 31 March 2021	23,526	-	23,526
Impairment			
At 1 April 2020	505	-	505
Charge for period	269	-	269
At 31 March 2021	774	-	774
Net book value			
At 31 March 2021	205,927	17,208	223,135
At 31 March 2020	196,064	18,404	214,468

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 £331,000 of capitalised interest (2020: £437,000), based on a capitalisation rate of 4.2% which is the weighted average rate applicable to the Group's borrowings during the year.

The total accumulated grant received to 31 March 2021 was £58.6 million (2020: £56.2 million).

13 Investment Properties

Group and Association	£000
At 1 April 2020	662
Additions	56
Transfer from Fixed Assets	110
Revaluation	(64)
	<hr/>
At 31 March 2021	764
	<hr/>

Investment properties, which are all freehold, comprise the commercial element of the Fellowship and other property and privately let garages. Investment properties are held at fair value. The valuation for the Fellowship is based on an open market valuation by professional valuers, Fleurets, at 31 March 2021. The fair value of other commercial property and garages has been estimated by the Board using the projected cash flows from the property discounted at a market rate of interest of 6% (2020: 6%).

14 Other Fixed Assets – Intangible Assets

Group and Association	Computer software £000
Cost	
At 1 April 2020	3,869
Additions	737
Disposals	(5)
	<hr/>
At 31 March 2021	4,601
	<hr/>
Amortisation	
At 1 April 2020	2,103
Charge for the period	594
Disposals	-
	<hr/>
At 31 March 2021	2,697
	<hr/>
Net book value	
At 31 March 2021	1,904
	<hr/>
At 31 March 2020	1,766
	<hr/>

15 Other Fixed Assets – Tangible Assets

Group	Freehold offices and community buildings* £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost					
At 1 April 2020	7,889	24	1,018	618	9,549
Additions	64	-	171	3	238
Disposals	-	-	(31)	-	(31)
At 31 March 2021	7,953	24	1,158	621	9,756
Depreciation					
At 1 April 2020	891	24	776	553	2,244
Charge for period	169	-	130	60	359
Disposals	-	-	(31)	-	(31)
At 31 March 2021	1,060	24	875	613	2,572
Net book value					
At 31 March 2021	6,893	-	283	8	7,184
At 31 March 2020	6,998	-	242	65	7,305

*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	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost					
At 1 April 2020	7,889	24	807	618	9,338
Additions	64	-	126	3	193
Disposals	-	-	(31)	-	(31)
At 31 March 2021	7,953	24	902	621	9,500
Depreciation					
At 1 April 2020	891	24	565	553	2,033
Charge for period	169	-	118	60	347
Disposals	-	-	(31)	-	(31)
At 31 March 2021	1,060	24	652	613	2,349
Net book value					
At 31 March 2021	6,893	-	250	8	7,151
At 31 March 2020	6,998	-	242	65	7,305

*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	2021 £000	2020 £000
Shared ownership properties under construction	79	1,179

Capitalised interest included in the above is £8,000 (2020: £111,000).

17 Stock and work in progress

	2021 £'000	2020 £'000
Group		
Stock	120	141
Association		
Stock	-	7

18 Trade and Other Debtors

Group	2021 £000	2020 £000
Due in more than one year		
Amount owed by leaseholders (gross balance)	97	195
Less net present value adjustments for repayment agreements	(19)	(32)
	78	163
Due within one year		
Arrears of rent and service charges	2,029	1,913
Less provision for bad debts	(1,273)	(1,286)
	756	627
Amount owed by leaseholders	270	351
Grants receivable	715	1,547
Other debtors	330	258
Input VAT reclaimable	250	308
Deferred tax	60	40
Cash in transit	435	470
Prepayments and accrued income	1,325	1,051
	4,141	4,652
Total debtors	4,219	4,815

18 Trade and Other Debtors (continued)

	2021 £000	2020 £000
Association		
Due in more than one year		
Amount owed by leaseholders (gross balance)	97	195
Less net present value adjustments for repayment agreements	(19)	(32)
	<u>78</u>	<u>163</u>
Due within one year		
Arrears of rent and service charges	2,029	1,913
Less provision for bad debts	(1,273)	(1,286)
	<u>756</u>	<u>627</u>
Amount owed by leaseholders	270	351
Grants receivable	715	1,547
Amount owed by subsidiary undertakings	317	273
Other debtors	313	243
Input VAT reclaimable	226	243
Cash in transit	435	472
Prepayments and accrued income	1,254	960
	<u>4,286</u>	<u>4,716</u>
Total debtors	4,364	4,879

19 Cash and Cash Equivalents

	2021 £000	2020 £000
Group		
Cash and cash equivalents	<u>31,495</u>	<u>23,904</u>
Association		
Cash and cash equivalents	<u>29,843</u>	<u>23,789</u>

20 Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Group		
Rents prepaid	1,918	1,491
Trade creditors	2,979	1,847
Other taxes and social security costs	272	268
Other payroll deductions	3	3
VAT recovered payable to Lewisham Council	153	185
Other creditors and accruals	4,316	2,656
Corporation tax payable	-	-
Deferred income	155	168
Deferred income – unamortised government grant (see note 23)	3,445	5,186
	<u>13,241</u>	<u>11,804</u>

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

Association	2021 £000	2020 £000
Rents prepaid	1,918	1,491
Trade creditors	2,656	1,667
Amount due to subsidiary undertakings	424	1,710
Other taxes and social security costs	198	190
Other payroll deductions	3	3
VAT recovered payable to Lewisham Council	153	185
Other creditors and accruals	3,697	2,197
Deferred income	155	168
Deferred income – unamortised government grant (see note 23)	3,445	5,186
	12,649	12,797

21 Creditors: Amounts falling due after more than one year

Group and Association	2021 £000	2020 £000
Improvement works	124	124
Loans	94,506	89,498
Deferred income – unamortised capital grant (see note 23)	8,033	4,793
	102,663	94,415

Group and Association	2021 £000	2020 £000
Loans repayable other than by instalments as follows:		
In one to two years	10,000	-
In more than two years but not more than five years	-	10,000
In five years or more	85,000	80,000
Less transaction costs	(494)	(502)
	94,506	89,498

In addition to the above debt, at 31 March 2021 Phoenix had undrawn loan facilities of £20 million (2020: £25 million). The loan facilities are secured on the Association's housing stock.

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	2021 £000	2020 £000
Financial assets		
<i>Measured at amortised cost</i>		
Repayment agreements	78	163
<i>Measured at undiscounted amount receivable</i>		
Rent arrears and other receivables	4,141	4,652
Cash and cash equivalents	31,495	23,904
	<u>35,714</u>	<u>28,719</u>
Group	2021 £000	2020 £000
Financial liabilities		
<i>Measured at amortised cost</i>		
Loans	94,506	89,498
<i>Measured at undiscounted amount payable</i>		
Trade and other creditors	21,398	16,721
	<u>115,904</u>	<u>106,219</u>
Association	2021 £000	2020 £000
Financial assets		
<i>Measured at amortised cost</i>		
Repayment agreements	78	163
<i>Measured at undiscounted amount receivable</i>		
Amounts due from subsidiary undertakings	317	273
Rent arrears and other receivables	3,969	4,443
Cash and cash equivalents	29,843	23,789
	<u>34,207</u>	<u>28,668</u>
Association	2021 £000	2020 £000
Financial liabilities		
<i>Measured at amortised cost</i>		
Loans	94,506	89,498
<i>Measured at undiscounted amount payable</i>		
Amounts owed to subsidiary undertakings	424	1,710
Trade and other creditors	20,382	16,004
	<u>115,312</u>	<u>107,212</u>

23 Deferred Income – Capital Grant

Group and Association	2021 £000	2020 £000
At 1 April	9,979	10,410
Grant received during the year	1,582	3,070
Released to income in the year	(83)	(3,501)
	<u>11,478</u>	<u>9,979</u>
At 31 March		
	<u>3,445</u>	<u>5,186</u>

24 Share Capital – Non Equity

	2021 £	2020 £
£1 shares		
At 1 April	3,579	3,618
Issued during the period	49	81
Cancelled during the period	(60)	(120)
	<u>3,568</u>	<u>3,579</u>
At 31 March		
	<u>3,568</u>	<u>3,579</u>

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.

25 Capital Commitments

Group and Association	2021 £000	2020 £000
Capital expenditure that has been contracted for	9,890	12,198
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<u>42,911</u>	<u>7,761</u>
Capital expenditure included in the financial plan that has not yet been authorised by the Board	<u>153,534</u>	<u>63,978</u>
	<u>206,335</u>	<u>83,937</u>
Phoenix expects to finance the above expenditure by:		
Grant funding	25,481	11,056
Sale proceeds including first tranche sales of shared ownership	4,470	3,290
Loan facilities and cash	146,242	40,657
Operating cash surpluses	<u>30,142</u>	<u>28,934</u>
	<u>206,335</u>	<u>83,937</u>

26 Cash Flow from Operating Activities

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Operating surplus for the year	8,281	8,974
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,196	4,108
Impairment of tangible fixed assets	269	-
Amortisation of intangible assets	594	435
Decrease in fair value of investment property	64	2,913
(Increase)/decrease in stock	21	(53)
(Increase)/decrease in properties for sale	1,100	(591)
(Increase)/decrease in trade and other debtors	(286)	257
Increase in trade and other creditors	1,913	85
Pension costs less contributions payable	137	419
Grant taken to income	-	(3,420)
Amortisation of grant	(83)	(81)
Cost of sales	342	314
Corporation tax	-	(2)
	<hr/>	<hr/>
Net cash flow from operating activities	16,548	13,358
	<hr/>	<hr/>

27 Analysis of Changes in Net Debt

	At 1 April 2020 £000	Cash flows £000	At 31 March 2021 £000
Cash and cash equivalents	23,904	7,591	31,495
Debt due after more than one year	(90,000)	(5,000)	(95,000)
Net debt	(66,096)	2,591	(63,505)

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 Group and Association	2021		2020	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	119
In one to five years	10	-	-	-
Later than five years	-	-	-	-
	<u>10</u>	<u>-</u>	<u>-</u>	<u>119</u>
Amounts receivable as lessor Group and Association	2021		2020	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	7	-	158	-
In one to five years	57	-	758	-
Later than five years	1,563	-	1,602	-
	<u>1,627</u>	<u>-</u>	<u>2,518</u>	<u>-</u>

29 Units Owned or Under Management

Group and Association	2021 Number	2020 Number
General needs housing accommodation at 1 April	5,341	5,336
Additions	27	15
Less freehold sales	(8)	(5)
Less leasehold sales	(3)	(5)
	<hr/>	<hr/>
General needs properties for rent at 31 March	5,357	5,341
	<hr/>	<hr/>
Supported housing at 31 March	60	60
	<hr/>	<hr/>
Shared ownership at 1 April	-	-
Additions	8	-
At 31 March	8	-
	<hr/>	<hr/>
Leaseholders	849	851
	<hr/>	<hr/>
Temporary social housing	2	1
Unit for market rent at 31 March	1	1
	<hr/>	<hr/>

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 50 Phoenix tenants (2020: 63) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £6.10 (2020: £5.95). 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 2019 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 2021 were as follows:

	2021 % pa	2020 % pa
Pension increases	2.85	1.7
Salary increases	2.85	2.2
Discount rate	2.0	2.3

30 Pensions

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

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	21.4 years	24.0 years
Future Pensioners	22.8 years	25.8 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 2021	CMI 2018 model assuming current rate of improvements have peaked and will converge to long-term rate 1.25%	CMI 20183 model assuming current rate of improvements have peaked and will converge to long-term rate 1.25%

Amounts recognised in the Statement of Comprehensive Income	2021	2020
	£000	£000
Current service cost	456	572
Past service cost	-	133
Net interest (income)/cost	(95)	22
Total	361	727
Recognised in other comprehensive income	3,180	(5,476)
Effects of changes in the amount of surplus that is not recoverable	(1,717)	1,717
	1,463	(3,759)
Deferred tax (credit)/charge on actuarial loss/gain	(141)	216
Actuarial gain	1,322	(3,543)
Total cost/(gain) relating to defined benefit scheme	1,683	(2,816)

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

	2021	2020
	£000	£000
Present value of defined benefit obligations	(34,529)	(25,866)
Fair value of scheme assets	35,438	30,084
Surplus	909	4,218
Effects of changes in the amount of surplus that is not recoverable	-	(1,717)
	909	2,501
Deferred tax liability	(75)	(216)
Net pension scheme asset/(liability)	834	2,285

30 Pensions (continued)

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

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

Reconciliation of defined benefit obligation	2021	2020
	£000	£000
Opening defined benefit obligation	25,866	31,694
Current service cost	456	572
Interest cost	595	763
Contribution by members	99	100
Actuarial loss/(gain)	7,994	(6,854)
Past service cost	-	133
Benefits paid	(481)	(542)
Closing defined benefit obligation	34,529	25,866

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

Reconciliation of fair value of employer assets	2021	2020
	£000	£000
Opening fair value of employer assets	30,084	30,927
Return on plan assets	690	741
Contributions by members	99	100
Contributions by employer	232	236
Actuarial gain/(loss)	4,814	(1,378)
Benefits paid	(481)	(542)
Closing fair value of employer assets	35,438	30,084

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.

	2021	2020
	£000	£000
Equities	22,512	19,554
Bonds	8,351	7,521
Property	2,481	2,407
Cash	2,094	602
Total	35,438	30,084

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’). The Board considered the potential impact of the McCloud case on the Group and Association’s defined benefit liability as at 31 March 2020 and a past service cost of £133,000 was recognised in 2019/20.

Phoenix Community Housing is unlikely to have an unconditional right to any refund from the scheme. Therefore, the maximum amount of recognisable surplus for FRS102 purposes has been determined as the extent that it is able to recover the surplus through reduced contributions, taking into account future contributions that have been committed to be paid.

The scheme actuary changed their standard approach to setting the inflation assumption, to take account of the government’s planned reform to the Retail Prices Index (RPI) measure of inflation. The difference between CPI and RPI has been updated, resulting in an increase in the defined benefit obligation of £2.7 million included in the actuarial loss above.

30 Pensions (continued)

(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 2019 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 and mortality assumptions underlying the valuation at 31 March 2021 are as for the Group (see note 30a).

Amounts recognised in the Statement of Comprehensive Income	2021 £000	2020 £000
Current service cost	272	332
Past service cost	-	83
Net interest income	(74)	(1)
Total	198	414
Recognised in other comprehensive income	2,438	(3,428)
Effects of changes in the amount of surplus that is not recoverable	(1,717)	1,717
Actuarial gain	721	(1,711)
Total (gain) relating to defined benefit scheme	919	(1,297)

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

	2021 £000	2020 £000
Present value of defined benefit obligations	(26,956)	(20,363)
Fair value of scheme assets	27,711	23,639
Surplus	755	3,276
Effects of changes in the amount of surplus that is not recoverable	-	(1,717)
Net pension scheme asset	755	1,559

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

Reconciliation of defined benefit obligation	2021 £000	2020 £000
Opening defined benefit obligation	20,363	24,343
Current service cost	272	332
Interest cost	467	584
Contribution by members	59	59
Actuarial loss/(gain)	6,211	(4,556)
Past service cost	-	83
Benefits paid	(416)	(482)
Closing defined benefit obligation	26,956	20,363

30 Pensions (continued)

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

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

Reconciliation of fair value of employer assets	2021 £000	2020 £000
Opening fair value of employer assets	23,639	24,489
Return on plan assets	541	585
Contributions by members	59	59
Contributions by employer	115	116
Actuarial gain/(loss)	3,773	(1,128)
Benefits paid	(416)	(482)
Closing fair value of employer assets	27,711	23,639

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.

	2021 £000	2020 £000
Equities	17,180	15,365
Bonds	6,651	5,910
Property	1,940	1,891
Cash	1,940	473
Total	27,711	23,639

The contribution rate of Phoenix for the year ended 31 March 2021 was 14.4% (2020: 14.4%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2020: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2022 are estimated to be £116,000.

(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.

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

The main financial assumptions underlying the valuation at 31 March 2021 were as follows:

	2021 % pa	2020 % pa
Discount rate	2.22	2.3
Inflation (RPI)	3.20	2.6
Inflation (CPI)	2.87	1.6
Salary growth	2.87	2.1
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

Amounts recognised in statement of comprehensive income

	2021 £000	2020 £000
Current service cost	214	293
Expenses	6	6
Net interest expense	22	37
Defined benefit costs recognised in statement of comprehensive income	242	336

Defined benefit costs recognised in other comprehensive income

	2021 £000	2020 £000
Experience on plan assets (excluding amounts included in net interest cost) – gain	275	230
Experience gains and losses arising on the plan liabilities – gain/(loss)	234	(288)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(22)	51
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(1,496)	573
Total actuarial gains and losses – (loss)/gain	(1,009)	566
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)/gain	(1,009)	566

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

Present values of defined benefit obligation and fair value of assets

	2021 £000	2020 £000
Fair value of plan assets	5,290	4,685
Present value of defined benefit obligation	(7,245)	(5,696)
Defined benefit liability to be recognised	(1,955)	(1,011)
Deferred tax	-	-
Net defined benefit liability to be recognised	(1,955)	(1,011)

Reconciliation of defined benefit obligation

	2021 £000	2020 £000
Defined benefit obligation at start of period	5,696	5,455
Current service cost	214	293
Expenses	6	6
Interest expense	134	136
Contributions by plan participants	165	150
Actuarial (gain)/loss due to scheme experience	(234)	288
Actuarial loss/(gain) due to changes in demographic assumptions	22	(51)
Actuarial loss/(gain) due to changes in financial assumptions	1,496	(573)
Benefits paid and expenses	(254)	(8)
Defined benefit obligation at end of period	7,245	5,696

Reconciliation of fair value of plan assets

	2021 £000	2020 £000
Fair value of plan assets at start of period	4,685	3,915
Interest income	112	99
Experience on plan assets – gain	275	230
Contributions by the employer	307	299
Contributions by plan participants	165	150
Benefits paid and expenses	(254)	(8)
Fair value of plan assets at end of period	5,290	4,685

Fair value of plan assets

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

	2021 £000	2020 £000
Equities	1,654	1,479
Bonds	2,974	2,475
Property	567	533
Cash	95	198
	5,290	4,685

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

The scheme actuary changed their standard approach to setting the inflation assumption, to take account of the government's planned reform to the Retail Prices Index (RPI) measure of inflation. The difference between CPI and RPI has been updated, resulting in an increase in the defined benefit obligation of £0.7 million included in the actuarial loss above.

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 2021, 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.

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

	2021	2020
	£	£
Rent and service charges charged	28,008	27,562
Credit balances at the end of the period	(3,713)	(3,563)
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 £50,724 (2020: £49,834).

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 £449,000 (2020: £472,000), including the Local Authority's share of the VAT shelter £198,000 (2020: £307,000). The total amount due to the Local Authority at 31 March 2021 was £169,000 (2020: £350,000).

31 Related Party Transactions (continued)

Subsidiary undertakings

Phoenix Community Housing traded with Phoenix Agency Services, a wholly owned subsidiary 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 £7,159,000 (2020: £7,814,000). Phoenix also provides corporate services to the subsidiary based on a calculation of the costs of delivering corporate services including a reasonable proportion of overheads. A consistent basis has been used in 2020/21 to that used in prior years. Total amounts recharged were £486,000 (2020: £486,000). The net amount due to Phoenix Agency Services at 31 March 2021 was £146,000 (2020: due to subsidiary £1,441,000). The transactions between Phoenix and Phoenix Agency Services (which is not registered with the Regulator) were eliminated on consolidation.

Phoenix Community Housing traded with Home Makers, a wholly owned subsidiary which provides the management service for Phoenix commercial properties. Total amounts charged by Home Makers were £24,000 (2020: £19,000). Phoenix also provides corporate services to Home Makers. Total amounts recharged were £10,000 (2020: £10,000). The net amount due from Home Makers at 31 March 2020 was £39,000 (2020: due from Home Makers £13,000). The transactions between Phoenix and Home Makers (which is not registered with the Regulator) were eliminated on consolidation.

Pension schemes

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

32 Contingent Liabilities

Counter indemnity and parent guarantee

The Council as the Administering Authority of the London Borough of Lewisham pension scheme agreed to Phoenix Agency Services 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, both of which are incorporated in England:

	Proportion of ordinary share capital	Investment 2021 £000	Net Assets £000	Investment 2020 £000	Net Assets £000
Phoenix Agency Services	100%	600	1,148	600	1,909
Home Makers The Property People	100%	40	3	40	-
		<u>640</u>		<u>640</u>	

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.