Phoenix

Our community in our hands

Board Report and Financial Statements

Year ended
31 March 2022

Contents Page

Board Members, Executives and Advisors 1

Board Report .... **Error! Bookmark not defined.**

Statement of The Board's Responsibilities in Respect of the Financial Statements 33

Independent auditor's report to Phoenix Community Housing Association 34

Consolidated Statement of Comprehensive Income 38

Consolidated Statement of Changes in Reserves 39

Consolidated Statement of Financial Position...40

Consolidated Statement of Cash Flows...41

Association Statement of Comprehensive Income...42

Association Statement of Changes in Reserves...43

Association Statement of Financial Position 44

Notes to the Financial Statements...45

Board Members, Executives and Advisors

Board members	Carmen Simpson, Chair Simon Barlow, Vice Chair Gloria Yang, Chair of Audit Committee (appointed April 2022) Kerry Heath Lucy Ferman Councillor Oana Olaru (appointed June 2022) Michael Tisdell Rebecca Clarke Councillor Jacq Paschoud (appointed September 2021) Folashade Balogun (appointed February 2022) Fay Russell Clarke (appointed February 2022) Michael Kiely (appointed March 2022)

The following Board members also served during the period:

Anne McGurk to January 2022
Peace Ayiku-Nartey to September 2021
Simone George to September 2021
Anne-Marie Danumah September 2021 to January 2022
Mark Gayfer to March 2022
Councillor Olurotimi Ogunbadewa (to June 2022)

Executives	Denise Fowler, Chief Executive (appointed February 2022) 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

Jim Ripley, the previous Chief Executive, retired in March 2022.

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 2022.

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, Whitefoot and Grove Park 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 2022, 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.

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. Following a selection process overseen by the Board, resident board members are elected by a ballot of shareholding members if there are more candidates than vacancies. 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 Chief Executive and her 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 four 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 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 Board approved the establishment of a Customer Experience Committee in March 2022. The Committee will review organisational performance against KPI targets relating to housing and asset management, review residents' feedback including survey responses and complaints and review and make recommendations to the Board on strategies and approve policies, having taken into account the views of residents. The Committee includes up to four residents nominated by the Phoenix Gateway Committee.

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.

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". The Board has set four strategic objectives 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.

Community Gateway Association

The Association is a Community Gateway whose shareholding members are all tenants and leaseholders. Membership of Phoenix at 31 March 2022 was 3,448. 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 Phoenix Gateway Committee (PGC) provides a key link between the Board, the Community Links and shareholding members. 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 seeks to ensure 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. Members of the Executive Team and staff also attend the PGC to discuss proposals and services.

In 2021/22 the PGC helped shaped our approach to our Sustainability Strategy and Asset Management Strategy, our response to the Social Housing White Paper, the engagement strategy for building new homes, the review of our Customer Services Strategy and a new approach to measuring resident satisfaction implemented in April 2022. The PGC were also consulted on the proposed rent increase to apply from April 2022 and steered involvement events including our Annual General Meeting.

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 which conducts reviews 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.

Key areas of focus for the Scrutiny Panel in 2021/22 were monitoring the implementation of previous review recommendations, supporting Phoenix to gain the Centre for Excellence in Community Investment Board Charter, and reviewing performance and compliance with the regulatory standards.

Residents were invited to take part in online policy consultations as part of the policy review process prior to consideration by the Board. A total of 30 policies were updated during the year which included two online consultations.

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 approved plans for #BEin to develop their role within the Phoenix engagement structure to become a youth leadership panel, the Phoenix Youth Council (8 Phoenix Residents aged 16 to 25 years old) to facilitate consultation with young people to help shape our plans and strategies. During the year they have been consulted on the Asset Management Strategy, new homes programme, Customer Services Strategy and community spaces and safety on our estates.

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 3,443 members at 31 March 2022.

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 2021/22, 94 students graduated from the Academy level 1 CIH practice qualification, of which 31 were Phoenix residents and 17 were Phoenix staff. 4 Phoenix residents and 1 Phoenix staff member completed a level 2 Chartered Institute of Housing (CIH) practice qualification, 2 Phoenix staff completed a level 3 CIH practice qualification funded by a bursary from Phoenix, and 1 Phoenix resident and 2 Phoenix staff completed a level 4 CIH practice qualification.

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

(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. 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 a stability check in November 2021.

The Regulator has also set four consumer standards as follows:

- Home Standard – quality of accommodation and repairs and maintenance.
- Tenancy Standard – how properties are allocated/exchanged and terms around tenure.
- Neighbourhood and Community Standard – issues around neighbourhood and communal areas and anti-social behaviour.
- Tenant Involvement and Empowerment Standard – customer service and complaints, tenant rights and involvement.

The Regulator's monitoring of compliance with the consumer standards is currently reactive and only intervenes where failure to meet the standards has caused serious harm to tenants. The Social Housing White Paper includes proposals for the consumer standards to be proactively regulated in a similar way to the Governance and Financial Viability Standard.

The Tenant Involvement and Empowerment Standard places 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 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. It is planned to review these standards in 2022/23 to ensure that they comply with the Regulator's proposed new Consumer Standards.

Phoenix meets the consumer standards and 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.

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, to maintain compliance with regulatory and legal requirements.

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

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

Modern Slavery and Human Trafficking

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

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, cyber risk, 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, including Chartered Institute of Housing qualifications through the Phoenix Academy. During the year, the Group employed 6 apprentices.

Diversity

The diversity of staff is a key performance measure. As at 31 March 2022 for staff where we have profiling information, 40% are people representing diverse ethnic groups, 46% 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 the individual organisations in the Phoenix Group do not have more than 250 staff, we are including this information in the interests of transparency.

Phoenix Community Housing

- median pay gap: 0% (females are paid 1.1% higher than males in 2021)
- mean pay gap: males are paid 4.5% higher than females (also 4.5% in 2021)
- number of male and female staff in each pay quartile (2021 figures in brackets):

Quartile	Male	Female
1 (highest pay)	27 (19)	25 (22)
2	22 (17)	30 (27)
3	13 (15)	39 (29)
4	34 (28)	17 (13)

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: males are paid 0.4% higher than females
- mean pay gap: females are paid 9.1% higher than males (12.3% in 2021)
- number of male and female staff in each pay quartile (2021 figure in brackets):

Pay quartile	Male	Female
1 (highest)	13 (10)	4 (5)
2	16 (15)	2 (1)
3	12 (13)	6 (3)
4	17 (13)	1 (3)
Total	58	13

We intend to publish consolidated gender and ethnicity pay gap information for the Phoenix Group in 2023.

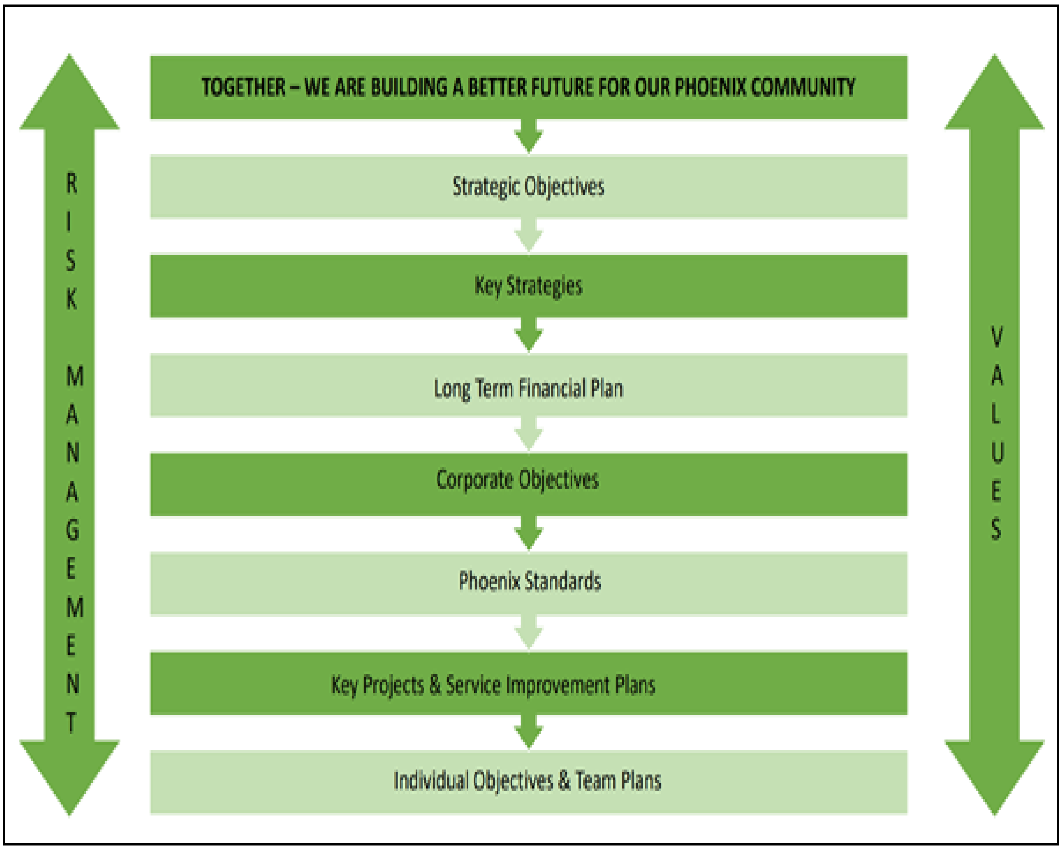
Strategic Report

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 2022.

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 strategic and corporate objectives, long-term financial plan, our risk management strategy and the values we hold. This runs through our organisation as illustrated below:



The Board has set four strategic objectives 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 approved a Corporate Plan to deliver the strategic objectives and progress against the Corporate Plan is monitored and reported to the Board every six months.

Business model

Phoenix Community Housing is a not-for-profit resident-led Housing Association which 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 was originally formed as a stock transfer from Lewisham Council in 2007. Following the transfer, Phoenix has invested over £170 million in the housing stock partly funded by £46 million of ‘gap’ funding from the Department for Communities and Local Government. This major works and improvement programme brought the housing stock 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. Following the acquisition of the Grove Park estate in November 2021, Phoenix owns and manages 6,438 general needs tenanted properties, an extra care scheme comprising 60 flats, 31 shared ownership properties and 1,184 leasehold properties in the Bellingham, Downham, Whitefoot and Grove Park areas of Lewisham in South East London.

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 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.

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.

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

We set out below our performance in 2021/22 under each strategic objective.

1. Resident leadership and effective governance

2021/22 continued to be impacted by the Covid-19 pandemic and our priorities remained the safety and well-being of residents and staff. All services were maintained successfully during the periods of restrictions caused by the pandemic, as well as the organisation growing by 20% with the acquisition of the Grove Park estate from L&Q.

There was a planned transition of Chair and Vice-Chair on the Board, with resident Board member Carmen Simpson taking over from Anne McGurk as Chair, having previously been Vice-Chair for 3 years, and another resident Board member, Simon Barlow, becoming Vice-Chair. A planned review of governance was deferred to 2022/23 to allow the new Chief Executive, who joined Phoenix in February 2022, to be involved in shaping the review. The review is now planned to complete by January 2023.

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.

Delivery of our Community Engagement Strategy was adapted to take account of the restrictions caused by the pandemic.

The proportion of residents for which the disability profile is up to date at the end of the year was 60%, below the 80% target for 2021/22, although this was impacted by the number of new residents from the Grove Park stock acquisition. The 'Getting to Know You' project specifically targets identification and recording of disability data.

Gold membership reduced to 3,443 with the pandemic and related restrictions limiting the opportunities to promote membership. We plan to increase membership over 2022/23, in particular through encouraging our new Grove Park residents to become members.

2. Excellent services, efficiently delivered with empathy and openness

Services continued to be delivered partly from the Green Man office and community hub and partly by staff working from home. The Green Man was reopened to the public in July 2021 so that face to face engagement opportunities could be provided again.

Satisfaction decreased during the year across most service areas in comparison to 2020/21. Overall satisfaction with Phoenix as a landlord dropped from 80% to 75% based on transactional surveys, a downward trend that is reflected nationally. The Board agreed in March 2022 to move to one tenant satisfaction survey to embed and drive a culture of great services with residents and staff. We are also working on the consistency of customer contact and complaints handling to fully meet our Phoenix standards and the Housing Ombudsman's updated Code for Complaints Handling.

Performance on responsive repairs and complaints are set out in the table below:

Performance indicator	2021/22	2020/21	2019/20	2018/19	2017/18	Comment
Responsive repairs completed on time Responsive repairs completed right first time	96% 95%	96% 96%	96% 95%	98% 92%	99% 93%	Performance on repairs was in line with target for completed on time but just below target for completed on first visit. The proportion of emergency repairs increased during the period of lockdowns with a move to an essential repairs service but has since reduced to 22% at the end of March 2022.
Proportion of complaints resolved on time	74%	67%	30%	55%	82%	Complaints policy focuses on resolution of complaints. Responses on time has continued to improve compared to previous years but still below target of 85%. New measures have been added to align with the new Housing Ombudsman Code for Complaints Handling.
Complaints escalated above stage 1	9%	9%	4%	6%	6%	Escalation of complaints has increased compared to previous years but remains below the target of 15%.

A review of the repairs service is now planned to be incorporated as part of the governance review referred to above.

Anti-social behaviour and safeguarding cases remain above pre-pandemic levels and overall health, education and well-being inequalities in our area have increased, despite joint working and collaboration with Lewisham Council and other agencies.

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, holding all property and customer information in a central database and enabling customers to access services through their preferred method, including a resident self-service portal which went live in May 2021. The project also enabled the delivery of the Annual General Meeting in September 2021 with resident shareholders able to participate remotely as well as in person, and the move to an on line learning model for the Phoenix Academy.

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 Genesis, who are the care providers.

The programme of major works and improvements to the housing stock continued following the review of safe working practices, with total expenditure of £4.3 million to 31 March 2022, principally on external works to street properties, fire safety works to blocks and kitchen and bathroom replacements. The proportion of homes meeting the government's Decent Homes Standard has been maintained at nearly 100%. At 31 March 2022 there were 4 non-decent properties, two of which are long term voids with works planned, and two properties whose external works were affected by delivery delays in 2021/22 and are a priority in the 2022/23 major works programme.

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 2022 in two locations, with a budget of £500,000 to test the approach and determine cost and quality benchmarks.

3. Growth in new homes and opportunities

The Board approved a conditional offer for the acquisition of 1,100 general needs homes plus 350 leasehold flats on the Grove Park estate, adjacent to the existing Phoenix stock, in 2020. The due diligence and legal work in relation to the acquisition and consultation with the Grove Park residents were completed in the first half of 2021/22. Consent from Lewisham Council was provided for the transfer and funding was successfully arranged in November 2021, allowing the acquisition to complete as planned. The Grove Park homes and residents have been successfully integrated into existing operations and services and a number of engagement events held with residents.

Three new homes for London Affordable Rent were completed and four properties were acquired under our purchase and repair programme. Work continued on the Velo House development in Catford comprising 45 flats for London Affordable Rent. Progress on the scheme has been impacted by the pandemic and supply chain challenges and the scheme will now complete in September 2022. Feasibility work also continued during the year to support planning applications on other schemes comprising 144 new homes in the current development programme. A successful bid for grant funding to support the development of a further 73 new homes was made under the 2021-26 Affordable Home Programme 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 programme of purchase and repair of properties in our area.

The refurbishment of the Fellowship Inn, a listed public house located in the heart of our area, 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 towards the cost of the works and associated activities. The commercial elements of the Fellowship were closed as a result of the pandemic and although the lifting of government restrictions allowed the pub to reopen, the operator indicated their intention to end the lease. A settlement with the operator was approved by the Board and a lease to a new operator has recently been agreed with the intention to reopen the commercial elements in September 2022.

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

4. Sustainability and safety for our business, our community and our environment

Current tenant rent arrears increased to £2.5 million due to the transfer of rent arrears associated with the Grove Park stock. Rent collection has remained above target as set out in the table below:

Performance indicator	2021/22	2020/21	2019/20	2018/19	2017/18	Comment
Rent collected as a percentage of gross rent receivable (excluding voids)	100.3%	100.8%	99.3%	100.9%	100.5%	Performance above target of 100% in 2021/22 despite the number of tenants on universal credit doubling. The Income Team continues to work well with the Council's housing benefit department and the Financial Wellbeing team provides financial inclusion support to residents.
Leaseholder service charges - amounts collected in year	£0.9m	£0.7m	£0.7m	£0.7m	£0.7m	Performance above target in 2021/22, reflecting focus on income collection combined with support for leaseholders.
Leaseholder major works service charges - amounts collected in year	£0.3m	£0.3m	£0.4m	£0.5m	£0.9m	Major works arrears continue to reduce in line with payment plans agreed with leaseholders. Collection lower than in previous years reflecting profile of charges for works.

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.

Void relet times and void loss are set out in the table below and were impacted by an increase in the number of void properties at the start of the year as lockdown restrictions were eased, a change in Lewisham Council's choice based letting system and poor performance from a voids sub-contractor. Special measures remain in place to improve void performance, in particular to reduce void relet times.

Performance indicator	2021/22	2020/21	2019/20	2018/19	2017/18	Comment
Void loss as a percentage of gross rent receivable	0.82%	0.59%	0.24%	0.29%	0.28%	Void loss higher than target, mainly due to the increase in relet days noted below.

Average number of days taken to relet a property (short-term voids)	73	66	22	23	23	Performance above target of 28 days. The turnaround of void properties was impacted by the pandemic, changes to the Councils' choice based lettings service, and poor performance of a voids sub-contractor.

The Board approved a Sustainability Strategy in March 2021 including a pilot of new ways of building and maintaining our homes to meet net carbon zero targets. The number of properties with a SAP (standard assessment procedure) rating below C across our stock, was 878 at the end of March 2022 and the financial plan approved by the Board includes provision for expenditure to bring all homes up to SAP C by 2030. 128 energy advice sessions were provided to residents during the year.

Landlord safety compliance continues to be monitored and an area of key focus and importance for the Grove Park stock to ensure we deliver our commitment to bring safety standards to the same level as the rest of our properties. Since the transfer of the Grove Park stock, we have made good progress completing statutory and policy checks, however some are overdue as they progress through the legal process for access to properties whilst others have scheduled appointment dates in 2022/23.

We continued to monitor the development of the Fire Safety Act and Building Safety Act. 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 five 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 in 2021 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 £6 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.

During the year Phoenix employed 6 apprentices (including 1 in Phoenix Agency Services) through the Mayor of Lewisham's apprenticeship scheme. A training academy, YouthBuild, operated by Barking & Dagenham College in partnership with Saint-Gobain and Barnardo's continued to operate from one of the community centres. We also supported the Government's 'Kickstart' programme with 10 placements for young people.

Our community engagement team directly supported 27 Phoenix residents into work and supported external training places through use of our buildings or other resources, benefitting 186 Phoenix residents.

Our community chest programme continued during the year and we awarded £100,000 of grants for a new round of community chest projects to support Lewisham as "Borough of Culture" in 2022. Tenants make the final decisions about which projects are funded by voting on their priorities for funding from the applications submitted.

We delivered over 80 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. We continued to support Fare Share and the food bank through use of our buildings and donations. Of particular note was the Financial Wellbeing team's success in helping residents access over £780,000 of additional income and benefits.

Staff turnover increased to 19% , a similar level to our peer group, and sickness levels have increased to pre-pandemic levels. Well-being support is on offer to staff and an internal survey was sent to all staff in March 2022 using our engagement platform, Peakon. This showed a drop in Group staff engagement from 7.7 in September 2021 to 7.2 in March 2022. An action plan is being developed to address the findings of the survey and to respond to feedback from the staff conference held in March 2022.

Subsidiaries performance

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 82% 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 in line with target at 10 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. Home Makers increased the number of properties under management from 26 to 29, although this was below the target set by the Board with the Covid19 pandemic initially impacting on the ability to view properties. Home Makers collected 101% of rent due on behalf of landlords and 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 £7.3 million (2021: £8.3million) on turnover of £35.9 million (2021: £33.3 million). Turnover was higher than 2020/21 due to income from the Grove Park stock which was acquired at the end of November 2021 and the increase in rents of 1.5% in April 2021 (based on the September 2020 Consumer Prices Index plus 1% in line with the rent standard set by the Regulator), offset by lower first tranche shared ownership sales (£89,000 compared to £1.1 million in (2020/21).

Operating expenditure increased to £30.8 million (2021: £26.8 million), mainly due to the operating costs associated with the Grove Park stock, an increase in maintenance costs and void works costs caused by additional demand as the government restrictions due to the pandemic were eased, offset by lower cost of sales relating to shared ownership first tranche sales (£79,000 compared to £1.1 million in 2020/21) and a provision established by the Board for the refund of water rates.

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 £7.3 million (2021: £8.3 million) includes the surplus on property sales from the Preserved Right to Buy and Right to Acquire of £2.0 million (2021: surplus of £1.9 million) and a surplus of £175,000 on the revaluation of investment properties (2021: deficit of £64,000).

Net interest payable of £4.3 million was higher than 2020/21 (£3.4 million) reflecting the interest on the funding arranged for the Grove Park stock acquisition and the break costs (£177,000) associated with the early repayment of a bank loan.

The Covid 19 pandemic and government restrictions during the year had an overall negative impact on the surplus for the year. The pandemic resulted in higher void loss and lower turnover than budgeted due to delays in the handover of new schemes and reductions in commercial rents. Following the ease in government restrictions there was an increase in demand for repairs and the number of void properties with a consequent rise in void works costs.

Other comprehensive income includes the actuarial gains in the year of £3.1 million (2021: loss of £2.3 million) in respect of the defined benefit pension schemes in which Phoenix participates. The change to a significant gain reflects the impact of a higher discount rate partly offset by increased future inflation assumptions.

The overall surplus for the year was £6.2 million (2021: £2.6 million), the most significant factor in the increase from 2020/21 being the actuarial gains in respect of the pension schemes compared to the actuarial losses of the previous year.

The Consolidated Statement of Financial Position is shown on page 40. The net book value of housing property increased to £324.1 million at 31 March 2022 (2021: £223.1 million), the majority of the increase being due to the acquisition of the Grove Park housing stock. Social Housing Grant and other grants of £15.1 million (2021: £11.5 million) received towards the cost of development of new homes is included in creditors. This includes £3.7 million transferred to Phoenix as part of the Grove Park stock acquisition. 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.

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 £0.2 million (2021: £0.4 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. Current tenant rent arrears increased due mainly to the transfer of rent arrears for tenants in Grove Park. The assessment of the bad debt provision in respect of tenant rent arrears has taken into account the settlement agreed with L&Q for the transfer of the rent arrears. Debtors at 31 March 2021 also included grant receivable of £0.7 million in respect of the Nuthatch House scheme which was received during 2021/22.

Creditors due within one year at 31 March 2022 of £19.5 million (2021: £13.2 million) incudes bank loans of £5 million repayable within 12 months (2021: £nil). A reduction in trade creditors was offset by an increase in accruals, mainly due to development expenditure and interest payable on the new debt funding.

Creditors due after one year increased to £181.1 million (2021: £102.7 million) due to the additional debt finance raised to fund the Grove Park stock acquisition in November 2021. Creditors due after one year also include unamortised grant on completed development schemes.

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 asset of £1.5 million at 31 March 2022 (2021: net liability £1.1 million). In determining the Group's share of the defined benefit pension schemes' assets and liabilities, the respective scheme actuaries have used estimates of life expectancy, salary growth, inflation and the discount rate for corporate bonds. The increase in the share of pension scheme net assets is due to actuarial gains of £3.1 million arising from the latest accounting valuation reflecting the impact of a higher assumed discount rate.

The revaluation reserve of £49.0 million (2021: £49.1 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 4 properties were purchased, resulting in a net transfer of £1.1 million from the revenue reserve to the restricted reserve.

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 £13.4 million (2021: £16.5 million), including sales of property through the Right to Buy which generated £2.4 million (2021: £2.2 million). During the year, the Group spent £102.5 million (2021: £11.5 million) on housing properties, including the Grove Park stock acquisition and the construction of new homes, and £1.1 million (2021: £1.3 million) on other fixed assets, including the Digital Together Project. Grants received totalled £0.7 million (2021: £2.4 million). Interest paid was £4.5 million (2021: £3.6 million). New debt of £85 million was arranged and a £5 million bank loan repaid, resulting in an increase in net debt of £80 million.

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

£000	2021/22	2020/21	2019/20	2018/19	2017/18
Turnover	35,919	33,276	36,870	33,135	33,229
Operating surplus	7,347	8,281	8,974	8,905	10,943
Operating margin %	*20%*	*25%*	*24%*	*27%*	*33%*
Net Interest payable	(4,107)	(3,390)	(2,956)	(2,808)	(2,380)
Break costs and write-off of arrangement fees	(177)	-	-	-	(9,458)
Surplus/(deficit) before tax	3,063	4,891	6,018	6,097	(895)
Tax credit/(charge)	3	20	40	(38)	27
Other comprehensive income – actuarial gains/(losses) on pension schemes	3,104	(2,331)	4,109	(845)	757
Net surplus/(deficit)	6,170	2,580	10,167	5,214	(111)
Housing properties	324,136	223,135	214,468	200,346	191,196
Investment property	939	764	662	185	185
Other fixed assets – tangible assets	7,235	7,184	7,305	10,093	7,562
Other fixed assets – intangible assets	2,168	1,904	1,766	1,341	888
Net current assets	3,113	22,672	18,235	13,915	5,588
Unamortised grant	(11,817)	(8,033)	(4,793)	(4,818)	(4,865)
Other liabilities	(121)	(124)	(124)	(124)	(1,213)
Loans	(169,120)	(94,506)	(89,498)	(79,503)	(64,763)
Pensions asset/(liability)	1,512	(1,121)	1,274	(2,307)	(864)
Revenue reserves and share capital	107,377	102,151	99,840	88,352	81,394
Revaluation reserve	49,024	49,131	49,203	49,242	49,302
Restricted reserve	1,644	593	252	1,534	3,218
Net cash inflow from operating activities	13,426	16,548	13,358	13,856	17,306
Net interest cash outflow	(4,292)	(3,588)	(3,352)	(3,031)	(2,270)
Break costs and arrangement fees	(177)	-	-	-	(9,112)
Capital expenditure	(103,696)	(12,782)	(19,211)	(16,023)	(11,237)
Grants	715	2,413	3,489	2,200	2,493
Loans drawn down (net)	80,000	5,000	10,000	14,750	7,000
Number of properties					
General needs	6,438	5,358	5,341	5,336	5,335
Supported	60	60	60	60	60
Shared ownership	31	8	-	-	-
Leaseholders	1,184	849	851	856	868

Future prospects

We are operating in uncertain times and like other landlords have challenges ahead, including meeting net zero carbon emissions by 2050, responding to the new fire and building safety requirements, supporting our residents with the 'cost of living crisis', as well as building new homes to meet housing need 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. A 'Getting to Know You' project will ensure that we have accurate information on the profile of our residents.

We are planning to carry out a review of our governance structure, both in terms of governance effectiveness and resident involvement in decision-making, to ensure that our model is an exemplar for the rest of the housing sector. We will also review how we deliver 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.

We are enhancing our approach to resident safety and have set up a programme board to monitor progress and compliance with building safety and how we will meet the new requirements. We will work on delivering our Sustainability Strategy to help us achieve a minimum energy standard for our properties of SAP 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.

The impact of the pandemic is not over. Although government has lifted all restrictions, there is an ongoing impact on the economy and people which has been exacerbated by the war in Ukraine. We have a strong liquidity position and continue to closely monitor key performance indicators around income collection and compliance.

Home Makers has a business plan which targets growth in the number of properties under management to 172 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 Universal Credit and the dependency on grant funding for the development of new affordable homes. While the current rent framework permits social and affordable rents to be increased by CPI + 1% for five years from 2020, there is uncertainty over the longer term economic impact of the pandemic and the 'cost of living crisis' 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. The Executive Team also consider emerging legislation at risk seminars with senior managers across the organisation.

Challenge in managing the complexity and range of competing strategic risks leads to poor strategic choices

As noted in the Sector risk profile published by the Regulator, social housing providers are facing increased scrutiny as they respond to the government's Social Housing White Paper and the government looks to the sector to deliver against evolving requirements from its net zero-carbon commitments. New Building Safety requirements, the current economic environment and volatility are presenting a number of competing pressures and some 'trade-offs' may be needed in setting corporate plan objectives which will involve some reputational risk.

Mitigations include the planned governance review which will include how residents can influence decision making and planned a review of the Corporate Plan.

High inflation exceeds business plan assumptions or limits budgets for non-core activities

This risk continues to crystallise in differential inflation across the business in areas such as materials, build costs and fuel. The budget approved for 2022/23 and the long term financial plan reflect the latest estimates of inflation and stress testing of the impact of higher differential inflation on the plan has been carried out.

Rent collection and welfare reform

The number of residents on Universal Credit continues to increase and we have a dedicated Financial Wellbeing team which supports 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 complete homes as planned as a result of local opposition or increasing development costs

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 was disrupted by the pandemic but there are no risks to grants and regular liaison is maintained with the Greater London Authority and Lewisham Council. There is ongoing assessment of the impact of inflation and supply chain constraints on contractors. The Board has approved a strategy for engaging with residents affected by the development of new homes.

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 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 also needs 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 have enhanced our approach to resident safety and have set up a programme board to monitor progress and compliance with building safety.

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 reviewed the value for money strategy 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.

The Grove Park stock acquisition improves operating margin and cost per home, however the budget for 2022/23 shows a lower operating margin and higher operating cost per property than previously projected in the financial plan due to the impact of higher inflation and a contingency for higher repair costs.

Resident leadership

There is a risk that our resident leadership is diluted as the government restrictions during the pandemic have limited opportunities for resident engagement. The changing demographic of our residents as properties are relet and the demands on involved residents and resident Board members, combined with the complexity of our governance structure, also present challenges to engaging residents in decision making. The planned governance review will aim to mitigate this risk.

Void turnover and costs increase due to tenancy turnover post-pandemic, increased works costs or delays to receiving nominations via the choice based letting system

Performance on void relet days has improved since the Special Measures task group, chaired by two Directors, was set up and the group is now meeting fortnightly. There remains a lack of access to Lewisham's nominations system "Find My Home" for potential residents without email addresses.

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 £45 million at 31 March 2022 (2021: £40 million). The Association also raised £100 million of debt funding during the year through a Private Placement with two investors, resulting in total long term debt through the capital markets being £175 million at 31 March 2022 (2021: £75 million).

The Association had drawn debt of £175 million at 31 March 2022 (2021: £95 million). £15 million of the funding arranged during the year is on a deferred basis due to be drawn in November 2023. In addition, Phoenix has £30 million available to be drawn from a revolving loan facility for future development. The loan facilities and Private Placements are secured on a proportion of the Association's housing stock, with nearly 2,300 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 2022, 100% (2021: 100%) of the Group's borrowings were at fixed rates. The fixed interest rates range from 2.3% 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 2022 of £47 million (2021: £51 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 2022, the Association's exposure to refinance risk within one year was £nil (2021: £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 2022, the Group had £16.6 million (2021: £9.9 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 2022, 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 2022/23, 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 3. The Board approved the strategic objectives and key projects for 2021/22. This is supported by the Value for Money Strategy reviewed and approved by the Board in November 2021. 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 Value for Money, including a rigorous approach to decision making and option appraisal to improve services, deliver projects and review our structures;
- 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 Value for Money against our plans and consult, scrutinise, monitor, and report on our achievements to residents and other stakeholders.

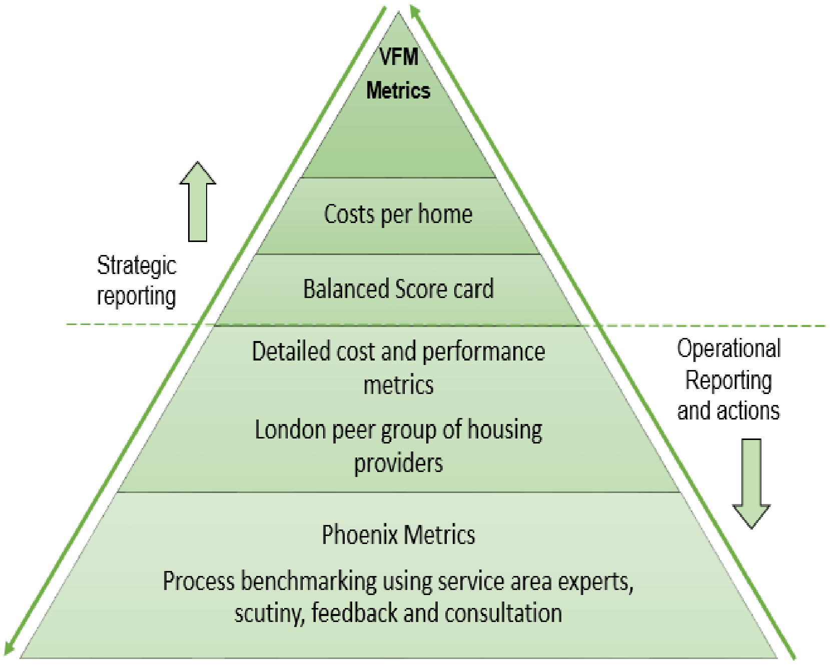
The strategy also emphasises our role as an anchor organisation in our community and our role in the Lewisham Deal.

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.

Our Corporate Plan includes a number of initiatives to improve Value for Money to achieve our financial plan projections, including the continued implementation of the Digital Together Programme and enhanced digital choice for residents. The most significant impact on our overall Value for Money metrics is the Grove Park stock acquisition, which will increase our operating margin and over time deliver more Value for Money opportunities; however, the Board recognised that the acquisition results in a decline in our interest cover and increase in our gearing (both of which were upper quartile compared to our peers) as the acquisition was wholly debt funded.

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 2021/22 compared to 2020/21 and the budget for 2022/23 are set out in the table below, including comparisons to our peer group of London associations for 2020/21, the latest available information. The budget for 2022/23 includes the full year impact of the 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.

Value for Money Metrics

Green: better than median performance compared to peer group (London associations - group basis)

Red: worse than median performance compared to peer group (London associations - group basis)

		Actual 2020/21 £'000	Actual 2021/22 £'000	Budget 2022/23 £'000	Trend 2021/22	*Median*	Comment
1	Reinvestment %	5.93%	32.7%	5.20%	↑	*6.0%*	Significant increase from 2020/21 reflects the Grove Park stock acquisition
2a	Number of new homes acquired or delivered in the year as a % of home owned	0.56%	14.45%	0.70%	↑	*1.3%*	2021/22 includes the Grove Park stock acquisition, 3 new homes completed plus 4 purchase and repair properties
2b	New supply delivered - non-social housing	0%	0%	0%		*0%*	No completions of non-social housing
3	Gearing %	28.2%	48.3%	46.9%	↓	*38.7%*	Significant increase in gearing due to the funding raised for the Grove Park stock acquisition
4	EBITDA MRI interest cover %	188%	131%	162%	↓	*121%*	2021/22 lower than previous year due to higher routine maintenance costs post pandemic and higher interest payable with the increase in debt to support the Grove Park stock acquisition
5	Social housing cost per unit	4,499	4,395	4,897	↓	*6,200*	Reduction in 2021/22 cost per unit due to the Grove Park stock acquisition; note this took place in November 2021 which means the cost per unit is artificially reduced as the calculation is based on the period end units in management; budget 2022/23 includes increase in major works
6a	Operating margin (social housing lettings only) excluding surplus on disposal of assets	25.1%	16.3%	26.7%	↓	*23.7%*	Lower operating margin than previous year due to higher routine maintenance costs
6b	Operating margin excluding surplus on disposal of assets	19.3%	14.4%	23.4%	↓	*18.6%*	Lower operating margin than previous year due to higher routine maintenance costs
7	Return on capital employed	3.3%	2.1%	3.3%	↓	*2.4%*	Increase in EBITDA in 2021/22 reflects Grove Park stock from November 2021 offset by the increase in assets due to Grove Park

Reinvestment and new supply

Our corporate objectives include growing in size through the development of new homes and services and through stock acquisition. The Grove Park stock acquisition has increased the number of homes that Phoenix manages by 20%. These homes are adjacent to the current Phoenix housing stock providing cost and operational synergies.

Phoenix has an ongoing development programme of new homes to address housing need in the area. There are currently 2,370 Lewisham households in temporary accommodation and there are around

9,700 people are on the waiting list for social housing in Lewisham. Our new homes currently on site are for London Affordable Rent and these are forecast to complete in 2022/23. 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. A successful bid for grant funding from the Greater London Authority to support the development of a further 73 new homes for Social Rent was made under the 2021-26 Affordable Homes Programme in April 2021.

Demand for homes designed to meet the needs of older people is also expected to increase. It is estimated that over 55,500 people in Lewisham have a disability and this is expected to increase to over 71,000 by 2033. In addition, a substantial increase is projected in the number of Lewisham residents over the age of 70, with the figure increasing by almost 90% between 2016 and 2041. The Hazelhurst Court extra care scheme helps to address a shortage of accommodation meeting such needs in our area.

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 4 properties in 2021/22 and are planning to acquire a further 8 properties in 2022/23. The Board has also approved an offer in principle for the transfer of 71 homes in Bromley, Croydon, Merton and Sutton from Lambeth Council which is subject to further due diligence and a tenants' ballot.

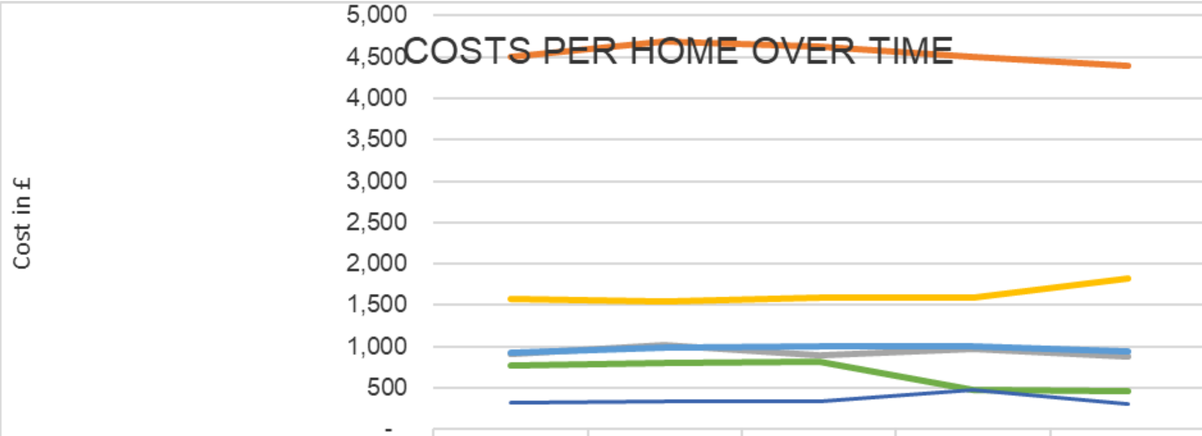
The private lettings management subsidiary, Home Makers, has a plan to increase the number of properties in management to generate profits and assist in the management of the Phoenix estates.

Gearing
The gearing ratio increased significantly from 28% to 48% as a result of the Grove Park stock acquisition which was funded by new debt. The level of gearing remains within the 'golden rule' set by the Board and Phoenix has significant asset cover for its loans in excess of the requirements set out in the loan agreements.

EBITDA MRI interest cover
The ratio for 2021/22 has decreased compared to 2020/21 due to the increase in maintenance costs and void works costs caused by additional demand as the government restrictions due to the pandemic were eased and the interest on the new debt to fund the Grove Park stock acquisition.

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. The reduction in 2021/22 is mainly due to the Grove Park stock acquisition; note this took place in November 2021 which means the cost per unit is artificially reduced as the calculation is based on the number of properties in management at the end of the year.

Costs per home



	2017-18	2018-19	2019-20	2020-21	2021-22
Total cost per home RSH method	4,503	4,686	4,620	4,501	4,397
Major repairs cost per home	901	1,020	892	971	870
Maintenance cost per home	1,582	1,543	1,584	1,583	1,820
Management cost per home	931	989	998	1,006	944
Service cost per home	773	797	817	468	454
Other social housing costs per home	315	337	330	473	308

The table below compares our cost data to the median of London based Associations (consolidated) with more than 1,000 Social Housing homes for 2020/21 (the latest available data):

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Management cost per home	Between median and upper quartile (highest cost)	The more detailed benchmarking of costs via Housemark reflects higher costs for resident involvement as would be expected given our business model and for income collection, which includes support provided to residents through the Financial Wellbeing team.	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 2021/22 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 lower quartile	There was an increase in maintenance costs and void works costs in 2021/22 as demand increased following the easing of Covid related restrictions.	The budget for 2022/23 allows for some backlog repairs to be completed and reflects continued focus on safety compliance programmes. A ‘MOT’ approach for gas servicing will be introduced during 2022/23.

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 2022/23 includes the continuation of building safety works and additional programmes for environmental works 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 2022/23 reflects a continuing commitment to support community regeneration activities at 3% of operating costs.

Operating margin
Our social housing lettings operating margin (excluding the surplus on disposal of assets) decreased to 16% in 2021/22 due to the increase in maintenance costs and void works costs referenced above. 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 £2.4 million higher and the operating margin would be 22%.

Return on capital employed
The return on capital employed decreased to 2.1% in 2021/22 due to the significant increase in assets arising from the Grove Park stock acquisition. 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 Money Additional Metrics

Green: better than median performance compared to peer group (London associations - group basis)

Red: worse than median performance compared to peer group (London associations - group basis)

		Actual 2020/21 £'000	Actual 2021/22 £'000	Target 2022/23 £'000	Trend 2021/22	*Median*	Comment
1	Tenant satisfaction	80%	75%	81%	↓	*75%*	Tenant satisfaction decreased in 2021/22 reflecting a national trend
2	Void loss as a percentage of rent receivable	0.6%	0.8%	0.5%	↑	*1.2%*	Void loss increased in 2021/22 reflects the increase in time taken to relet properties due to changes in the Council's choice based letting system and poor performance of a sub-contractor
3	Rent arrears	6.2%	6.9%	5.9%	↑	*3.9%*	Impact of increase in number of tenants on Universal Credit and Grove Park stock acquisition
4	Average number of days sick per member of staff	5.1	9.8	8.0	↑	*7.8*	Increase in the number of days sick reflects the return to office and the spread of the later variants of Covid-19

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.

The Green Man head office and community facility provides access to services for residents in the heart of the Phoenix area and is also key to driving the wider regeneration of the area. The investment in community facilities and initiatives is part of our Community Empowerment and 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 2021/22 due to the pandemic a range of initiatives continued, adopting new ways of working, including Summer Fun and Diversity celebrations, wellbeing projects, an outdoor 'Winter Wonderland' event 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 2021/22 was £784,000 net of income received, around 2.7% of total operating costs (£712,000 net of income in 2020/21; 2.9% 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 have carried out a review of how we assess Social Value and endorsed the models used.

Value for money gains

The focus for 2021/22 was on responding to the ongoing pandemic and the Grove Park stock acquisition, as well as continued implementation of the Digital Together project including a self-service portal for residents which went live in May 2021. Some £40,000 of savings from procurement and other activities were recorded in the value for money register, along with donations of 80 items of IT equipment to help residents who faced digital exclusion. We have also secured rental income from property guardians for sites that we own which are intended for future development.

Phoenix Agency Services received £10,000 (2021: £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 £780,000 in additional benefits and grants; 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 building safety and fire safety works as well as other costs such as the increase in national insurance.

Future plans

Major initiatives which aim to improve value for money for 2022/23 are:

- embedding the Grove Park stock and services within the existing operations to improve our operating margin and operating cost per property, through the ability to spread central service costs over a larger number of properties;
- continued development of new homes;
- the 'Getting to Know You' project to gather profiling information on our residents so we can improve our services;
- continued implementation of the Digital Together project and promoting the use of the self-service portal for residents;
- 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
- undertaking the governance review and the review of Phoenix Agency Services and Home Makers.

The financial plan reflects anticipated savings (£70,000) in 2023/24 from the governance review. 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 £100,000 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 2021 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 2022. The Board sets the risk appetite and reviews this at least annually and ensures that stress testing and multivariate tests of the financial plan are completed. The principal risks that may affect the Group's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly and are also included in the Corporate Health indicators reviewed by the Board at each meeting.

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

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

- sound corporate governance arrangements including the adoption of the NHF's Code of Governance;
- a long-term financial plan and corporate plan with specific targets and objectives;
- an organisational structure with clearly defined lines of responsibility and delegations of authority. These are set out in Standing Orders and Financial Regulations and detailed policies and operational procedures;
- an ongoing programme in place for reviewing all key policies, in consultation with residents through on line consultations, 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 more detailed reporting 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, including 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. 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. The internal auditors also follow up actions from previous recommendations and the extent to which these have been implemented;
- a review of complaints is undertaken and the results reported to the Board;
- there is a comprehensive set of financial and operating policies and procedures covering all aspects of the business;
- the Audit Committee presents its Annual Report to the Board outlining its work during the year to support the assurance work on internal controls; and
- the Board receives an annual report from the Chief Executive outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal control.

The Board has approved 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.

On behalf of the Board
Carmen Simpson
Chair

Date: 6 September 2022

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 2022 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 2022 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.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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 2022

	Note	2022 £000	2021 £000
TURNOVER	4	35,919	33,276
Operating expenditure	4	(30,760)	(26,844)
Gain/(loss) on revaluation of investment property	4	175	(64)
Gain on sale of property, plant and equipment	8	2,013	1,913
OPERATING SURPLUS	4	7,347	8,281
Interest receivable	9	70	135
Interest payable and financing costs	10	(4,354)	(3,525)
SURPLUS FOR THE YEAR BEFORE TAXATION	5	3,063	4,891
Tax credit on surplus on ordinary activities	11	3	20
SURPLUS FOR THE YEAR		3,066	4,911
OTHER COMPREHENSIVE INCOME			
Actuarial gain/(loss) on pension schemes	30	3,104	(2,331)
TOTAL COMPREHENSIVE INCOME		6,170	2,580

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 6 September 2022 and were signed on its behalf by:

Carmen Simpson
Chair

Gloria Yang
Board Member

Chris Starke
Secretary

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2022

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
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
Surplus for the year	3,066	-	-	3,066
Actuarial gain	3,104	-	-	3,104
Transfer between reserves	(944)	(107)	1,051	-
Balance at 31 March 2022	107,373	49,024	1,644	158,041

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 2022

		2022	2021
FIXED ASSETS	**Note**	**£000**	**£000**
Housing properties	12	324,136	223,135
Investment properties	13	939	764
Other fixed assets – intangible assets	14	2,168	1,904
Other fixed assets – tangible assets	15	7,235	7,184
		334,478	232,987
CURRENT ASSETS			
Properties for sale	16	-	79
Stock and work in progress	17	121	120
Trade and other debtors	18	5,023	4,219
Cash and cash equivalents	19	17,471	31,495
		22,615	35,913
Pension asset	30	2,420	834
CREDITORS: Amounts falling due within one year	20	(19,502)	(13,241)
NET CURRENT ASSETS		5,533	23,506
CREDITORS: Amounts falling due in more than one year	21	(181,058)	(102,663)
Pension liability	30	(908)	(1,955)
NET ASSETS		158,045	151,875
CAPITAL AND RESERVES			
Non-equity share capital	24	4	4
Revenue reserve		107,373	102,147
Revaluation reserve		49,024	49,131
Restricted reserve		1,644	593
		158,045	151,875

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 6 September 2022 and were signed on its behalf by:

Carmen Simpson	**Gloria Yang**	**Chris Starke**
Chair	Board Member	Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Note	2022 £000	2021 £000
NET CASH GENERATED FROM OPERATING ACTIVITIES	26	13,426	16,548
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(102,548)	(11,459)
Purchase of fixed assets – investment properties		-	(56)
Purchase of other fixed assets		(1,148)	(1,267)
Grants received		715	2,413
Interest received		68	40
		(102,913)	(10,329)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(5,000)	-
Loans received		85,000	5,000
Interest paid		(4,537)	(3,628)
		75,463	1,372
NET CHANGE IN CASH AND CASH EQUIVALENTS		(14,024)	7,591
CASH AND CASH EQUIVALENTS AT 1 APRIL		31,495	23,904
CASH AND CASH EQUIVALENTS AT 31 MARCH		17,471	31,495

The accompanying notes form part of these financial statements.

Association Statement of Comprehensive Income

For the year ended 31 March 2022

	Note	2022 £000	2021 £000
TURNOVER	4	36,343	33,770
Operating expenditure	4	(31,164)	(27,141)
Gain/(loss) on revaluation of investment property	4	175	(64)
Gain on sale of property, plant and equipment	8	2,013	1,913
OPERATING SURPLUS	4	7,367	8,478
Interest receivable	9	68	114
Interest payable and financing costs	10	(4,354)	(3,525)
SURPLUS FOR THE YEAR	5	3,081	5,067
OTHER COMPREHENSIVE INCOME			
Actuarial gain/(loss) on pension schemes	30	2,358	(1,730)
TOTAL COMPREHENSIVE INCOME		5,439	3,337

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 6 September 2022 and were signed on its behalf by:

Carmen Simpson	**Gloria Yang**	**Chris Starke**
Chair	Board Member	Secretary

Association Statement of Changes in Reserves

For the year ended 31 March 2022

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
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
Surplus for the year	3,081	-	-	3,081
Actuarial gain	2,358	-	-	2,358
Transfer between reserves	(944)	(107)	1,051	-
Balance at 31 March 2022	106,135	49,024	1,644	156,803

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 2022

		2022	**2021**
FIXED ASSETS	**Note**	**£000**	**£000**
Housing properties	12	324,136	223,135
Investment properties	13	939	764
Other fixed assets – intangible assets	14	2,168	1,904
Other fixed assets – tangible assets	15	7,212	7,151
Investment in subsidiary undertakings	33	640	640
		335,095	233,594
CURRENT ASSETS			
Properties for sale	16	-	79
Stock	17	1	-
Trade and other debtors	18	5,057	4,364
Cash and cash equivalents	19	16,732	29,843
		21,790	34,286
Pension asset	30	1,722	755
CREDITORS: Amounts falling due within one year	20	(19,834)	(12,649)
NET CURRENT ASSETS		3,678	22,392
CREDITORS: Amounts falling due in more than one year	21	(181,058)	(102,663)
Pension liability	30	(908)	(1,955)
NET ASSETS		156,807	151,368
CAPITAL AND RESERVES			
Non-equity share capital	24	4	4
Revenue reserve		106,135	101,640
Revaluation reserve		49,024	49,131
Restricted reserve		1,644	593
		156,807	151,368

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 6 September 2022 and were signed on its behalf by:

Carmen Simpson	**Gloria Yang**	**Chris Starke**
Chair	Board Member	Secretary

Notes to the Financial Statements

For the year ended 31 March 2022

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 2022 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 2022/23 and the Group's medium term financial position as detailed in the 40 year business plan, 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 a professional 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

(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 of the Fellowship as at 31 March 2022. 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. The allocation of the fair value of the Grove Park stock to land was based on advice from the Association's independent professional valuers.

4 Turnover, Operating Costs and Operating Surplus

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

	Turnover	Cost of Sales	Operating Costs	Other Income	Operating Surplus/ (Deficit)
2022					
	£000	**£000**	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	33,627	-	(28,144)	-	5,483
Current asset property sales	89	(79)	-	-	10
Development costs not capitalised	-	-	(812)	-	(812)
Other social housing activities	584	-	(246)	-	338
	34,300	(79)	(29,202)	-	5,019
Activities other than social housing activities					
Leaseholders	1,370	-	(1,363)	-	7
Other income	249	-	(116)	-	133
Grant income	-	-	-	-	-
	1,619	-	(1,479)	-	140
Gain on revaluation of investment property	-	-	-	175	175
Gain on disposal of property	-	-	-	2,013	2,013
	35,919	(79)	(30,681)	2,188	7,347

Group particulars of turnover, operating costs and operating surplus

	Turnover	Cost of Sales	Operating Costs	Other Income	Operating Surplus/ (Deficit)
2021					
	£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)
	31,887	(1,082)	(24,691)	-	6,114
Activities other than social housing activities					
Leaseholders	914	-	(1,007)	-	(93)
Other income	97	-	(64)	-	33
Grant income	378	-	-	-	378
	1,389	-	(1,071)	-	318
Loss on revaluation of investment property	-	-	-	(64)	(64)
Gain on disposal of property	-	-	-	1,913	1,913
	33,276	(1,082)	(25,762)	1,849	8,281

4 Turnover, Operating Costs and Operating Surplus (continued)

(a) Association particulars of turnover, operating costs and operating surplus			**2022**		
	Turnover	**Cost of Sales**	**Operating Costs**	**Other Income**	**Operating Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	33,627	-	(28,124)	-	5,503
Current asset property sales	89	(79)	-	-	10
Development costs	-	-	(812)	-	(812)
Other social housing activities	1,075	-	(737)	-	338
	34,791	(79)	(29,673)	-	5,039
Activities other than social housing activities					
Leaseholders	1,370	-	(1,363)	-	7
Other income	182	-	(49)	-	133
Grant income	-	-	-	-	-
	1,552	-	(1,412)	-	140
Gain on revaluation of investment property	-	-	-	175	175
Gain on disposal of property	-	-	-	2,013	2,013
	36,343	(79)	(31,085)	2,188	7,367

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)
	32,442	(1,082)	(25,052)	-	6,308
Activities other than social housing activities					
Leaseholders	914	-	(1,007)	-	(93)
Other income	36	-	-	-	36
Grant income	378	-	-	-	378
	1,328	-	(1,007)	-	321
Loss on revaluation of investment property	-	-	-	(64)	(64)
Gain on disposal of property	-	-	-	1,913	1,913
	33,770	(1,082)	(26,059)	1,849	8,478

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Group particulars of turnover and operating expenditure from social housing lettings	General Needs 2022 £000	Supported Housing 2022 £000	Shared Ownership 2022 £000	Total 2022 £000	Total 2021 £000
Income					
Rent receivable net of identifiable service charges	31,203	491	80	31,774	29,043
Service charge income	1,442	292	13	1,747	1,556
Amortised government grant	57	47	2	106	83
Turnover from social housing lettings	**32,702**	**830**	**95**	**33,627**	**30,682**
Operating expenditure					
Management	6,001	156	8	6,165	5,460
Service charge costs	2,737	216	13	2,966	2,539
Routine maintenance	8,725	-	-	8,725	5,731
Planned maintenance	3,144	16	-	3,160	2,855
Major repairs expenditure	1,367	-	-	1,367	1,235
Bad debts	227	-	-	227	200
Depreciation of housing properties	4,402	203	17	4,622	3,837
Impairment of housing properties	(42)	-	-	(42)	269
Other costs	954	-	-	954	868
Operating expenditure on social housing lettings	**27,515**	**591**	**38**	**28,144**	**22,994**
Operating surplus on social housing lettings	**5,187**	**239**	**57**	**5,483**	**7,688**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**251**	**41**	**-**	**292**	**212**

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Association particulars of turnover and operating expenditure from social housing lettings	General Needs 2022 £000	Supported Housing 2022 £000	Shared Ownership 2022 £000	Total 2022 £000	Total 2021 £000
Income					
Rent receivable net of identifiable service charges	31,203	491	80	31,774	29,043
Service charge income	1,442	292	13	1,747	1,556
Amortised government grant	57	47	2	106	83
Turnover from social housing lettings	**32,702**	**830**	**95**	**33,627**	**30,682**
Operating expenditure					
Management	6,001	156	8	6,165	5,460
Service charge costs	2,737	216	13	2,966	2,539
Routine maintenance	8,705	-	-	8,705	5,602
Planned maintenance	3,144	16	-	3,160	2,855
Major repairs expenditure	1,367	-	-	1,367	1,235
Bad debts	227	-	-	227	200
Depreciation of housing properties	4,402	203	17	4,622	3,837
Impairment of housing properties	(42)	-	-	(42)	269
Other costs	954	-	-	954	868
Operating expenditure on social housing lettings	**27,495**	**591**	**38**	**28,124**	**22,865**
Operating surplus on social housing lettings	**5,207**	**239**	**57**	**5,503**	**7,817**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**251**	**41**	**-**	**292**	**212**

5 Surplus for the Year – Group and Association

Group	**2022 £000**	**2021 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	4,622	3,837
Impairment of housing properties	(42)	269
Depreciation of other fixed assets	302	359
Amortisation of intangible fixed assets	714	594
Amortisation of government grant	(106)	(83)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditor	50	42
- for other services	7	3
Operating lease rentals	5	159

Association	**2022 £000**	**2021 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	4,622	3,837
Impairment of housing properties	(42)	269
Depreciation of other fixed assets	292	347
Amortisation of intangible fixed assets	714	594
Amortisation of government grant	(106)	(83)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditor	42	35
- for other services	7	3
Operating lease rentals	5	159

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.

	2022 £000	2021 £000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	776	719
Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind)	157	143
Expenses paid during the year to Board Members	-	-

Aggregate emoluments include both the former Chief Executive who retired during the year and the new Chief Executive.

The new Chief Executive and the former Chief Executive are ordinary members of the Social Housing Pension Scheme (SHPS) and no enhanced or special terms apply. Pension contributions paid to the pension fund for the former Chief Executive were £9,006 in the year (2021: £9,077). Pension contributions paid to the pension fund for the new Chief Executive were £1,143 in the year. 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:

			2022 Number	2021 Number
£60,001	to	£70,000	15	6
£70,001	to	£80,000	4	3
£80,001	to	£90,000	5	5
£90,001	to	£100,000	1	2
£100,001	to	£110,000	2	-
£110,001	to	£120,000	-	-
£120,001	to	£130,000	1	2
£130,001	to	£140,000	2	1
£140,001	to	£150,000	-	-
£150,001	to	£160,000	-	1
£160,001	to	£170,000	1	-

The aggregate amount of compensation payable to directors in respect of loss of office was £nil (2021: £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 2022:

	2022 Number	2021 Number
Office staff	179	169
Caretakers and estates staff	28	26
Maintenance	52	51
	259	246

	2022 £000	2021 £000
Staff costs (for the above persons):		
Wages and salaries	10,343	9,775
Social security costs	1,013	1,002
Pension costs	1,216	1,105
	12,572	11,882

Association

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2022:

	2022 Number	2021 Number
Office staff	162	148
Caretakers and estates staff	28	26
	190	174

	2022 £000	2021 £000
Staff costs (for the above persons):		
Wages and salaries	7,645	6,952
Social security costs	735	703
Pension costs	873	752
	9,253	8,407

8 Gain on Sale of Property, Plant and Equipment

Group and Association	2022 £000	2021 £000
Disposal proceeds	2,492	2,315
Less: cost of sales	(479)	(402)
	2,013	1,913

9 Interest Receivable

Group	2022 £000	2021 £000
Net interest on defined benefit pension asset	2	95
From bank deposits	68	40
	70	135

Association	2022 £000	2021 £000
Net interest on defined benefit pension asset	-	74
From bank deposits	68	40
	68	114

10 Interest Payable and Financing Costs

Group and Association	2022 £000	2021 £000
On housing loans	4,680	3,820
Amortisation of loan arrangement fees	29	14
Break costs on early repayment of debt	177	-
Net interest on defined benefit pension liability	32	22
Less: capitalised interest	(564)	(331)
	4,354	3,525

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 £3,000 (2021: credit £20,000) for Phoenix Agency Services.

12 Tangible Fixed Assets – Housing Properties

	Completed held for letting	Under construction	Total
Group and Association	**£000**	**£000**	**£000**
Cost			
At 1 April 2021	230,227	17,208	247,435
Additions	94,296	11,675	105,971
Reclassification			
Transfer	2,167	(2,167)	-
Disposals	(595)	-	(595)
At 31 March 2022	**326,095**	**26,716**	**352,811**
Depreciation			
At 1 April 2021	23,526	-	23,526
Charge for period	4,622	-	4,622
Released on disposal	(205)	-	(205)
At 31 March 2022	**27,943**	**-**	**27,943**
Impairment			
At 1 April 2021	774	-	774
Credit for period	(42)	-	(42)
At 31 March 2022	**732**	**-**	**732**
Net book value			
At 31 March 2022	**297,420**	**26,716**	**324,136**
At 31 March 2021	**205,927**	**17,208**	**223,135**

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 £564,000 of capitalised interest (2021: £331,000), based on a capitalisation rate of 4.0% which is the weighted average rate applicable to the Group's borrowings during the year.

The total accumulated grant received to 31 March 2022 was £62.3 million (2021: £58.6 million).

13 Investment Properties

Group and Association	**£000**
At 1 April 2021	764
Additions	-
Transfer from Fixed Assets	-
Revaluation	175
At 31 March 2022	**939**

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 2022. 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 7% (2020: 6%).

14 Other Fixed Assets – Intangible Assets

Group and Association	**Computer software £000**
Cost	
At 1 April 2021	4,601
Additions	978
Disposals	-
At 31 March 2022	**5,579**
Amortisation	
At 1 April 2021	2,697
Charge for the period	714
Disposals	-
At 31 March 2022	**3,411**
Net book value	
At 31 March 2022	**2,168**
At 31 March 2021	**1,904**

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 2021	7,953	24	1,158	621	9,756
Additions	17	-	162	175	354
Disposals	-	-	(16)	-	(16)
At 31 March 2022	**7,970**	**24**	**1,304**	**796**	**10,094**
Depreciation					
At 1 April 2021	1,060	24	875	613	2,572
Charge for period	157	-	132	13	302
Disposals	-	-	(15)	-	(15)
At 31 March 2022	**1,217**	**24**	**992**	**626**	**2,859**
Net book value					
At 31 March 2022	**6,753**	**-**	**312**	**170**	**7,235**
At 31 March 2021	**6,893**	**-**	**283**	**8**	**7,184**

*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 2021	7,953	24	902	621	9,500
Additions	17	-	162	175	354
Disposals	-	-	(16)	-	(16)
At 31 March 2022	**7,970**	**24**	**1,048**	**796**	**9,838**
Depreciation					
At 1 April 2021	1,060	24	652	613	2,349
Charge for period	157	-	122	13	292
Disposals	-	-	(15)	-	(15)
At 31 March 2022	**1,217**	**24**	**759**	**626**	**2,626**
Net book value					
At 31 March 2022	**6,753**	**-**	**289**	**170**	**7,212**
At 31 March 2021	**6,893**	**-**	**250**	**8**	**7,151**
		-			

*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	**2022**	**2021**
	£000	**£000**
Shared ownership properties under construction	-	79

Capitalised interest included in the above is £nil (2021: £8,000).

17 Stock and work in progress

	2022	**2021**
	£'000	**£'000**
Group		
Stock	121	120
Association		
Stock	1	-

18 Trade and Other Debtors

Group	**2022**	**2021**
	£000	**£000**
Due in more than one year		
Amount owed by leaseholders (gross balance)	44	97
Less net present value adjustments for repayment agreements	(7)	(19)
	37	78
Due within one year		
Arrears of rent and service charges	2,472	2,029
Less provision for bad debts	(1,475)	(1,273)
	997	756
Amount owed by leaseholders	198	270
Grants receivable	-	715
Other debtors	899	330
Input VAT reclaimable	122	250
Deferred tax	63	60
Cash in transit	588	435
Prepayments and accrued income	2,119	1,325
	4,986	4,141
Total debtors	**5,023**	**4,219**

18 Trade and Other Debtors (continued)

	2022	2021
Association	**£000**	**£000**
Due in more than one year		
Amount owed by leaseholders (gross balance)	44	97
Less net present value adjustments for repayment agreements	(7)	(19)
	37	78
Due within one year		
Arrears of rent and service charges	2,472	2,029
Less provision for bad debts	(1,475)	(1,273)
	997	756
Amount owed by leaseholders	198	270
Grants receivable	-	715
Amount owed by subsidiary undertakings	285	317
Other debtors	787	313
Input VAT reclaimable	122	226
Cash in transit	583	435
Prepayments and accrued income	2,048	1,254
	5,020	4,286
Total debtors	**5,057**	**4,364**

19 Cash and Cash Equivalents

	2022	2021
Group	**£000**	**£000**
Cash and cash equivalents	17,471	31,495
Association		
Cash and cash equivalents	16,732	29,843

20 Creditors: Amounts falling due within one year

Group	**2022**	**2021**
	£000	**£000**
Housing loans due within one year	5,000	-
Rents prepaid	2,524	1,918
Trade creditors	302	2,979
Other taxes and social security costs	323	275
VAT recovered payable to Lewisham Council	108	153
Other creditors and accruals	7,856	4,316
Sinking funds	76	-
Deferred income	32	155
Deferred income – unamortised government grant (see note 23)	3,281	3,445
	19,502	**13,241**

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

Association	**2022**	**2021**
	£000	**£000**
Housing loans due within one year	5,000	-
Rents prepaid	2,524	1,918
Trade creditors	227	2,656
Amount due to subsidiary undertakings	1,850	424
Other taxes and social security costs	242	201
Sinking funds	76	-
VAT recovered payable to Lewisham Council	108	153
Other creditors and accruals	6,494	3,697
Deferred income	32	155
Deferred income – unamortised government grant (see note 23)	3,281	3,445
	19,834	**12,649**

21 Creditors: Amounts falling due after more than one year

Group and Association	**2022**	**2021**
	£000	**£000**
Improvement works	121	124
Loans	169,120	94,506
Deferred income – unamortised capital grant (see note 23)	11,817	8,033
	181,058	**102,663**

Group and Association	**2022**	**2021**
	£000	**£000**
Loans repayable other than by instalments as follows:		
Within one year	5,000	-
In one to two years	-	10,000
In more than two years but not more than five years		-
In five years or more	170,000	85,000
Less transaction costs	(880)	(494)
	174,120	94,506

In addition to the above debt, at 31 March 2022 Phoenix had undrawn loan facilities of £45 million (2021: £20 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 2.3% 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	**2022**	**2021**
	£000	**£000**
Financial assets		
Measured at amortised cost		
Repayment agreements	37	78
Measured at undiscounted amount receivable		
Rent arrears and other receivables	4,986	4,141
Cash and cash equivalents	17,471	31,495
	22,494	35,714

Group	**2022**	**2021**
	£000	**£000**
Financial liabilities		
Measured at amortised cost		
Loans	174,120	94,506
Measured at undiscounted amount payable		
Trade and other creditors	26,440	21,398
	200,560	115,904

Association	**2022**	**2021**
	£000	**£000**
Financial assets		
Measured at amortised cost		
Repayment agreements	37	78
Measured at undiscounted amount receivable		
Amounts due from subsidiary undertakings	285	317
Rent arrears and other receivables	4,735	3,969
Cash and cash equivalents	16,732	29,843
	21,789	34,207

Association	**2022**	**2021**
	£000	**£000**
Financial liabilities		
Measured at amortised cost		
Loans	174,120	94,506
Measured at undiscounted amount payable		
Amounts owed to subsidiary undertakings	1,850	424
Trade and other creditors	24,922	20,382
	200,892	115,312

23 Deferred Income – Capital Grant

Group and Association	2022 £000	2021 £000
At 1 April	11,478	9,979
Grant received during the year	3,726	1,582
Released to income in the year	(106)	(83)
At 31 March	15,098	11,478
Amount due within one year	3,281	3,445

24 Share Capital – Non Equity

	2022 £	2021 £
£1 shares		
At 1 April	3,568	3,579
Issued during the period	16	49
Cancelled during the period	(136)	(60)
At 31 March	3,448	3,568

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	2022 £000	2021 £000
Capital expenditure that has been contracted for	16,631	9,890
Capital expenditure that has been authorised by the Board but has not yet been contracted for	27,375	42,911
Capital expenditure included in the financial plan that has not yet been authorised by the Board	95,675	153,534
	139,681	206,335
Phoenix expects to finance the above expenditure by:		
Grant funding	40,944	25,481
Sale proceeds including first tranche sales of shared ownership	6,213	4,470
Loan facilities and cash	67,028	146,242
Operating cash surpluses	25,496	30,142
	139,681	206,335

26 Cash Flow from Operating Activities

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Operating surplus for the year	7,347	8,281
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,924	4,196
Impairment of tangible fixed assets	(42)	269
Amortisation of intangible assets	714	594
(Increase)/decrease in fair value of investment property	(175)	64
(Increase)/decrease in stock	(1)	21
Decrease in properties for sale	79	1,100
(Increase) in trade and other debtors	(1,657)	(286)
Increase in trade and other creditors	1,365	1,913
Pension costs less contributions payable	588	137
Grant taken to income	-	-
Amortisation of grant	(106)	(83)
Cost of sales	390	342
Corporation tax	-	-
Net cash flow from operating activities	13,426	16,548

27 Analysis of Changes in Net Debt

	At 1 April 2021 £000	Cash flows £000	At 31 March 2022 £000
Cash and cash equivalents	31,495	(14,024)	17,471
Debt due within one year	-	(5,000)	(5,000)
Debt due after more than one year	(95,000)	(75,000)	(170,000)
Net debt	(63,505)	(94,024)	(157,529)

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	**2022**		**2021**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	5	-	-	
In one to five years	-	-	10	-
Later than five years	-	-	-	-
	5	-	10	

Amounts receivable as lessor	**2022**		**2021**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	-	-	7	-
In one to five years	179	-	57	-
Later than five years	772	-	1,563	-
	951	-	1,627	-

29 Units Owned or Under Management

Group and Association	**2022 Number**	**2021 Number**
General needs housing accommodation at 1 April	5,358	5,341
Additions	1,092	28
Less freehold sales	(7)	(8)
Less leasehold sales	(4)	(3)
Less demolished	(1)	-
General needs properties for rent at 31 March	6,438	5,358
Supported housing at 31 March	60	60
Shared ownership at 1 April	8	-
Additions	23	8
At 31 March	31	8
Leaseholders at 31 March	1,184	849
Temporary social housing at 31 March	2	2
Unit for market rent at 31 March	1	1

29 Units Owned or Under Management (continued)

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 47 Phoenix tenants (2021: 50) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £6.25 (2021: £6.10). 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 and 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 assumptions underlying the valuation at 31 March 2022 were as follows:

	2022	**2021**
	% pa	**% pa**
Pension increases	3.2	2.85
Salary increases	3.7	2.85
Discount rate	2.7	2.0

Mortality assumptions

Life expectancy is based on the Fund's Vita Curves, with a long-term rate of improvement of 1.5% per year for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	21.2 years	23.8 years
Future Pensioners	22.5 years	25.5 years

Historic Mortality

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

	Prospective Pensioners	**Pensioners**
31 March 2021	CMI 2020 model with a long-term rate of improvement of 1.5%	CMI 2020 model with a long-term rate of improvement of 1.5%

30 Pensions

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

Amounts recognised in the Statement of Comprehensive Income	**2022**	**2021**
	£000	**£000**
Current service cost	634	456
Past service cost	-	-
Net interest (income)/cost	(14)	(95)
Total	620	361
(Gain)/loss recognised in other comprehensive income	(4,833)	3,180
Effects of changes in the amount of surplus that is not recoverable	2,670	(1,717)
	(2,163)	1,463
Deferred tax charge/(credit) on actuarial gain/loss	175	(141)
Actuarial (gain)/loss	(1,988)	1,322
Total (gain)/loss relating to defined benefit scheme	**(1,368)**	**1,683**

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

	2022	**2021**
	£000	**£000**
Present value of defined benefit obligations	(33,036)	(34,529)
Fair value of scheme assets	38,376	35,438
Surplus	5,340	909
Effects of changes in the amount of surplus that is not recoverable	(2,670)	-
	2,670	909
Deferred tax liability	(250)	(75)
Net pension scheme asset	**2,420**	**834**

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

Reconciliation of defined benefit obligation	**2022**	**2021**
	£000	**£000**
Opening defined benefit obligation	34,529	25,866
Current service cost	634	456
Interest cost	691	595
Contribution by members	94	99
Actuarial (gain)/loss	(2,277)	7,994
Past service cost	-	-
Benefits paid	(635)	(481)
Closing defined benefit obligation	**33,036**	**34,529**

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

Reconciliation of fair value of employer assets	**2022**	**2021**
	£000	**£000**
Opening fair value of employer assets	35,438	30,084
Return on plan assets	705	690
Contributions by members	94	99
Contributions by employer	218	232
Actuarial gain	2,556	4,814
Benefits paid	(635)	(481)
Closing fair value of employer assets	**38,376**	**35,438**

30 Pensions (continued)

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

Fair value of employer assets

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

	2022	2021
	£000	£000
Equities	24,561	22,512
Bonds	8,443	8,351
Property	3,454	2,481
Cash	1,918	2,094
Total	**38,376**	**35,438**

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 in 2020/21.

The scheme actuary has not updated the mortality assumption as at 31 March 2022 to reflect the potential effects of COVID-19. This is mainly because their remains uncertainty of the COVID-19 impact on long term mortality rates for pension scheme members. The scheme actuary has set the mortality base tables and adjustments in line with the most recent Fund valuation as at 31 March 2019. However, the allowance for future improvements has been updated from the CMI 2019 model to the CMI 2021 model to reflect the latest available industry data. The actuary's standard approach is not to allow for any weighting to be placed on 2020 or 2021 data. Further, there is a change in the initial addition parameter from 0.5% to 0.25% per year. This has reduced the defined benefit obligation by £0.4 million as at 31 March 2022.

(b) London Borough of Lewisham Pension Scheme – Association

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 2022 are as for the Group (see note 30a).

30 Pensions (continued)

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

Amounts recognised in the Statement of Comprehensive Income	**2022**	**2021**
	£000	**£000**
Current service cost	404	272
Past service cost	-	-
Net interest income	(12)	(74)
Total	392	198
(Gain)/loss recognised in other comprehensive income	(3,822)	2,438
Effects of changes in the amount of surplus that is not recoverable	2,580	(1,717)
Actuarial gain	(1,242)	721
Total (gain)/loss relating to defined benefit scheme	**(850)**	**919**

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

	2022	**2021**
	£000	**£000**
Present value of defined benefit obligations	(25,663)	(26,956)
Fair value of scheme assets	29,965	27,711
Surplus	**4,302**	**755**
Effects of changes in the amount of surplus that is not recoverable	(2,580)	**-**
Net pension scheme asset	**1,722**	**755**

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

Reconciliation of defined benefit obligation	**2022**	**2021**
	£000	**£000**
Opening defined benefit obligation	26,956	20,363
Current service cost	404	272
Interest cost	539	467
Contribution by members	60	59
Actuarial (gain)/loss	(1,825)	6,211
Past service cost	-	-
Benefits paid	(471)	(416)
Closing defined benefit obligation	**25,663**	**26,956**

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

Reconciliation of fair value of employer assets	**2022**	**2021**
	£000	**£000**
Opening fair value of employer assets	27,711	23,639
Return on plan assets	551	541
Contributions by members	60	59
Contributions by employer	117	115
Actuarial gain	1,997	3,773
Benefits paid	(471)	(416)
Closing fair value of employer assets	**29,965**	**27,711**

30 Pensions (continued)

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

Fair value of employer assets

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

	2022 £000	2021 £000
Equities	19,178	17,180
Bonds	6,592	6,651
Property	2,697	1,940
Cash	1,498	1,940
Total	**29,965**	**27,711**

The contribution rate of Phoenix for the year ended 31 March 2022 was 14.4% (2021: 14.4%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2021: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2023 are estimated to be £117,000.

(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 2020. This valuation revealed a deficit of £1,560 million. A revised Recovery Plan has been put in place by the scheme with the aim of removing this deficit by 31 March 2028.

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.

The main financial assumptions underlying the valuation at 31 March 2022 were as follows:

	2022 % pa	2021 % pa
Discount rate	2.77	2.22
Inflation (CPI)	3.12	2.87
Salary growth	3.62	2.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

Amounts recognised in statement of comprehensive income

	2022 £000	**2021 £000**
Current service cost	326	214
Expenses	6	6
Net interest expense	44	22
Defined benefit costs recognised in statement of comprehensive income	**376**	**242**

Defined benefit costs recognised in other comprehensive income

	2022 £000	**2021 £000**
Experience on plan assets (excluding amounts included in net interest cost) – gain	710	275
Experience gains and losses arising on the plan liabilities – (loss)/gain	(499)	234
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	101	(22)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	804	(1,496)
Total actuarial gains and losses – gain/(loss)	1,116	(1,009)
Effects of changes in the amount of surplus that is not recoverable	-	-
Total amount recognised in other comprehensive income – gain/(loss)	**1,116**	**(1,009)**

Present values of defined benefit obligation and fair value of assets	**2022 £000**	**2021 £000**
Fair value of plan assets	6,569	5,290
Present value of defined benefit obligation	(7,477)	(7,245)
Defined benefit liability to be recognised	(908)	(1,955)
Deferred tax	-	-
Net defined benefit liability to be recognised	**(908)**	**(1,955)**

30 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

Reconciliation of defined benefit obligation

	2022 £000	2021 £000
Defined benefit obligation at start of period	7,245	5,696
Current service cost	326	214
Expenses	6	6
Interest expense	166	134
Contributions by plan participants	159	165
Actuarial loss /(gain) due to scheme experience	499	(234)
Actuarial (gain)/loss due to changes in demographic assumptions	(101)	22
Actuarial (gain)/loss due to changes in financial assumptions	(804)	1,496
Benefits paid and expenses	(19)	(254)
Defined benefit obligation at end of period	**7,477**	**7,245**

Reconciliation of fair value of plan assets

	2022 £000	2021 £000
Fair value of plan assets at start of period	5,290	4,685
Interest income	122	112
Experience on plan assets – gain	710	275
Contributions by the employer	307	307
Contributions by plan participants	159	165
Benefits paid and expenses	(19)	(254)
Fair value of plan assets at end of period	**6,569**	**5,290**

Fair value of plan assets

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

	2022 £000	2021 £000
Equities	2,195	1,654
Bonds	3,520	2,974
Property	814	567
Cash	40	95
	6,569	**5,290**

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 in 2020/21.

The scheme actuary has not updated the mortality assumption as at 31 March 2022 to reflect the potential effects of COVID-19. This is mainly because their remains uncertainty of the COVID-19 impact on long term mortality rates for pension scheme members.

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 2022, 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:

	2022	2021
	£	£
Rent and service charges charged	23,007	28,008
Credit balances at the end of the period	(1,839)	(3,713)
Doubtful debt provision	Nil	Nil

No other transactions took place with the resident Board members.

Related parties employed by Phoenix

Phoenix employed during the year 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 £54,243 (2021: £50,724).

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 £291,000 (2021: £499,000), including the Local Authority's share of the VAT shelter £177,000 (2021: £198,000). The total amount due to the Local Authority at 31 March 2022 was £116,000 (2021: £169,000).

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 £10,512,000 (2021: £7,159,000). 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 2021/22 to that used in prior years. Total amounts recharged were £486,000 (2021: £486,000). The net amount due to Phoenix Agency Services at 31 March 2022 was £1,572,000

31 Related Party Transactions (continued)

(2021: due to subsidiary £146,000). 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 £26,000 (2021: £24,000). Phoenix also provides corporate services to Home Makers. Total amounts recharged were £12,000 (2021: £10,000). The net amount due from Home Makers at 31 March 2022 was £13,000 (2021: due from Home Makers £39,000). 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 2022 £000	Net Assets £000	Investment 2021 £000	Net Assets £000
Phoenix Agency Services	100%	600	1,879	600	1,148
Home Makers The Property People	100%	40	2	40	3
		640		640	

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.