Phoenix

Our community in our hands

# Board Report and Financial Statements

## Year ended
## 31 March 2023

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# Board Members, Executives and Advisors

| | |
|---|---|
| **Board members** | Carmen Simpson, Chair<br>Simon Barlow, Vice Chair<br>Gloria Yang, Chair of Audit Committee (appointed 28 July 2022)<br>Kerry Heath<br>Michael Tisdell<br>Rebecca Clarke<br>Councillor Jacq Paschoud<br>Folashade Balogun<br>Councillor Oana Olaru (appointed 28 July 2022)<br>Eileen Davies (appointed 30 March 2023)<br>Evelyne Colley (appointed 30 March 2023) |

The following Board members also served during the period:

| | |
|---|---|
| | Fay Russell Clarke to 29 September 2022<br>Michael Kierly to 26 January 2023<br>Lucy Ferman to 30 March 2023 |
| **Executives** | Denise Fowler, Chief Executive<br>David Westworth, Director of Customer Services<br>Lesley Johnson, Director of Property and New Business<br>Nick Edwards, Assistant Director of IT and Facilities (to 3 July 2023)<br>Jonathan Lawn, Assistant Director of People Services and Communications<br>Charlotte Spendley, Director of Finance and Resources (appointed 30 March 2023) |

Chris Starke, the previous Director of Finance, retired 30 March 2023.

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| **Secretary** | Charlotte Spendley |
| **Registered Office** | The Green Man<br>355 Bromley Road<br>London<br>SE6 2RP |
| **Banker** | Barclays Bank plc<br>28th Floor<br>1 Churchill Place<br>London<br>E14 5HP |
| **Auditor** | Beever and Struthers<br>Chartered Accountants<br>150 Minories<br>London<br>EC3N 1LS |

# Board report

The Board presents the consolidated financial statements for the year ended 31 March 2023.

## 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 2023, 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 9 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.

In 2022/23 the Board was 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. From January 2023 it changed its name to the Residents Experience Committee. The Committee reviews organisational performance against KPI targets, reviews residents' feedback including survey responses and complaints and reviews and makes recommendations to the Board on strategies and approves policies relating to housing and asset management, having taken into account the views of residents. The Committee includes up to four residents nominated by the Phoenix Gateway Committee (see below).

The Association observes best practice with regards to corporate governance and complies with all of the recommendations and requirements in the National Housing Federation's (NHF) 2015 Code of Governance. From 2023/24 the Board will adopt the 2020 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.

In January 2023 the Board approved a new corporate plan. The vision is as in 2019/20, above but the four strategic objectives have changes to:

1. Resident leadership and effective governance.
2. Homes and services that meet our residents needs
3. Sustainability for Phoenix, our homes, neighbourhoods and community.
4. Growth in new homes and opportunities.

## Community Gateway Association

The Association is a Community Gateway whose shareholding members are all tenants and leaseholders. Membership of Phoenix at 31 March 2023 was 3,375 (2022: 3,348). 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) for 2022/23 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.

During 2022/23 an extensive Governance and Resident Involvement in Decision-Making review was carried out. The Phoenix Gateway Committee were involved at all stages including shaping the scope of the review, particularly ensuring equality, diversity & inclusion were at the heart of the review. Three workshops took place with our involved residents, shaping the scope of the review, agreeing the key principles, highlighting key issues to be addressed and towards the end giving their views on recommendations to the Board. The four principles of our Community Gateway model agreed were:

1. Resident Leadership
2. Resident Involvement in Decision-Making
3. All voices to be heard
4. Resident Ownership

Another key aspect of the review was extensive consultation with residents, which included surveys completed by nearly 250 residents and focus groups attended by nearly 100 residents. The biggest consultation undertaken by Phoenix since its creation. The consultation helped to shape the Resident Involvement and Community Engagement strategy that flowed from the Governance and Resident Involvement in Decision-Making review.

The culmination of this work was considered and adopted by the Board in March 2023. The process saw the golden thread of resident involvement enhanced, with a clear flow of information and decision making from the newly formed Phoenix Gateway (replacing the PGC), through to the Board's Sub-Committees and onward to Board. The changes also embedded the Community Links approach and made plans for effective Board succession and tenant representation.

## 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 met 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 December 2022.

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.

Phoenix meets the consumer standards and an annual report setting out its 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.

In response to the vision and proposals outlined in the Social Housing White Paper and the newly enacted Social Housing (Regulation) Act, the Regulator will take a more proactive approach to the new consumer regulation framework and the way that they work with landlords. Proposals for the new consumer standard have recently been published and are due to be implemented from April 2024. We are currently exploring the implications of the proposed standards and drafting an action plan for the Board to consider.

In 2022-23, in order to deliver the revised Corporate Plan 2023-28 we began a Corporate Transformation Programme. The new Corporate Plan and the Programme are designed to ensure that we fulfil our vision during these challenging times and that we address the issues highlighted in the Social Housing White Paper, and the new Consumer Regulatory regime. The Programme provides an opportunity to deliver change within the business in a controlled way with clear oversight and accountability.

## 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 building and fire safety works, to maintain compliance with regulatory and legal requirements. Residents helped shape the Building Safety Programme by sitting on the initial phase of the Building Safety Programme Board.

Landlord health and safety compliance is a high priority, and continues to remain at or near 100% compliance with respect to water safety, electrical testing and inspection, asbestos management and gas safety. Our main risk to non-compliance remains residents not providing access. To mitigate this risk, robust non access procedures are in place.

To enhance tenants' safety, 1,048 properties have benefited from programmes of Carbon Monoxide and Smoke alarm installations and replacements.

Damp and mould within properties remains a major challenge. A damp and mould policy has been developed together with a set of robust procedures to help combat these issues. The performance is closely monitored by a working group on a weekly basis. Monitoring and recording of damp and mould reports from our residents commenced in November 2022 and with over 600 cases and 287 of those cases having been resolved. For our most serious cases, the Group works closely with the tenant to develop an agreed action plan, which is monitored and not closed off until the tenant is assured that the damp issues have been resolved.

The Group has detailed health and safety policies and provides staff training and education on health and safety matters. The Board receives regular information on health and safety matters. The transfer of our responsive repairs operation from PAS into PCH brings oversight of resident health and safety issues into one team within the Property and New Business Directorate, with regular reports to the Executive and the Board. We align our health and safety compliance with the Health and Safety Executive document HSG 65.

A Building Safety Manager was appointed in November 2022 and has developed a Building and Fire Safety Policy and Resident Engagement Strategy as required by recent legislation and changes to regulation. Extensive survey work continues for our higher risk buildings above 18m and 11m to inform ongoing works programmes and in preparation for the submission of Building Safety Cases to the Building Safety Regulator.

## 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.

A new Agile Working Policy was approved in May 2022 setting out future ways of working following the coronavirus pandemic, designed to offer flexibility while confirming minimum office attendance in the interests of organisational culture and to foster cross-team collaboration.

The majority of employees within Phoenix Agency Services transferred to Phoenix Community Housing at the start of April 2023 following the Board's decision to bring the service fully in-house. A small number of staff who are members of the Local Government Pension Scheme remain Phoenix Agency Services employees ahead of agreement with Lewisham Council on pension admissions. The transfer provides a 'One Phoenix' opportunity for greater culture alignment and shared approaches to service delivery to the benefit of residents.

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 awarded 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. There was a particular focus on equality, diversity and inclusion training in 2022/23, with all staff receiving training on unconscious bias, along with domestic abuse training as part of efforts to gain DAHA accreditation. Phoenix also funds or offers sponsorship towards professional and academic qualifications for a number of staff, including Chartered Institute of Housing qualifications through the Phoenix Academy.

### Diversity

The diversity of staff is a key performance measure. As at 31 March 2023 for staff where we have profiling information, 41% are people representing diverse ethnic groups, 44% are women and 9% have a stated disability. Applications for jobs are encouraged from people with disabilities and appropriate adjustments are made to the jobs of employees with disabilities to enable them to remain in employment. Phoenix is accredited as a Disability Confident Committed employer. We have also agreed to apply positive action for female applicants and applicants representing diverse ethnic groups when future Executive vacancies arise.

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

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

These organisations must also report on differences in bonus payments between male and female employees. We have not reported on this for the Group in 2022/23 based on different bonus schemes operating in Phoenix Community Housing and Phoenix Agency Services, which will be subject to review in 2023/24 and will be reported then.

While the individual organisations in the Phoenix Group in 2022/23 did not have more than 250 staff, we are including this information in the interests of transparency. Details of the gender and ethnicity pay gap were presented to the HR and Remuneration Committee in March 2023. The transfer of Phoenix Agency Services staff into Phoenix Community Housing means we will have a legal requirement to publish gender pay gap information publicly in 2023/24.

### Phoenix Group

### Gender pay gap

- median pay gap: females are paid 2.2% higher than males
- mean pay gap: females are paid 6.4% higher than males
- number of male and female staff in each pay quartile (proportion in brackets):

| Quartile | Female | Male |
|---|---|---|
| 1 (highest pay) | 32 (49.2%) | 33 (50.8%) |
| 2 | 33 (50%) | 33 (50%) |
| 3 | 29 (44.6%) | 36 (55.4%) |
| 4 | 21 (31.8%) | 45 (68.2%) |

### Ethnicity pay gap

Based on the information we hold on 253 of 262 employees in January 2023, the following was the Group ethnicity pay gap.

Median pay gap: 0%
Mean pay gap: 10.1% (£22.58 per hour for employees identifying as white; £20.29 for employees identifying as other ethnicities).

The proportion of employees identifying as white and employees identifying as other ethnicities in each quartile of Phoenix's pay structure is as follows. The table also shows those staff for whom we do not hold this profiling information or who have recorded as 'prefer not to say'.

| Quartile | White | Other ethnicities | Prefer not to say / blank |
|---|---|---|---|
| 1 (highest) | 42 (64.6%) | 20 (30.8%) | 3 (4.6%) |
| 2 | 33 (50%) | 30 (45.5%) | 3 (4.5%) |
| 3 | 41 (63.1%) | 21 (32.3%) | 3 (4.6%) |
| 4 | 31 (47%) | 35 (53%) | 0 |

This information has been shared with staff and the Human Resources Committee continues to monitor actions to address the mean pay gap.

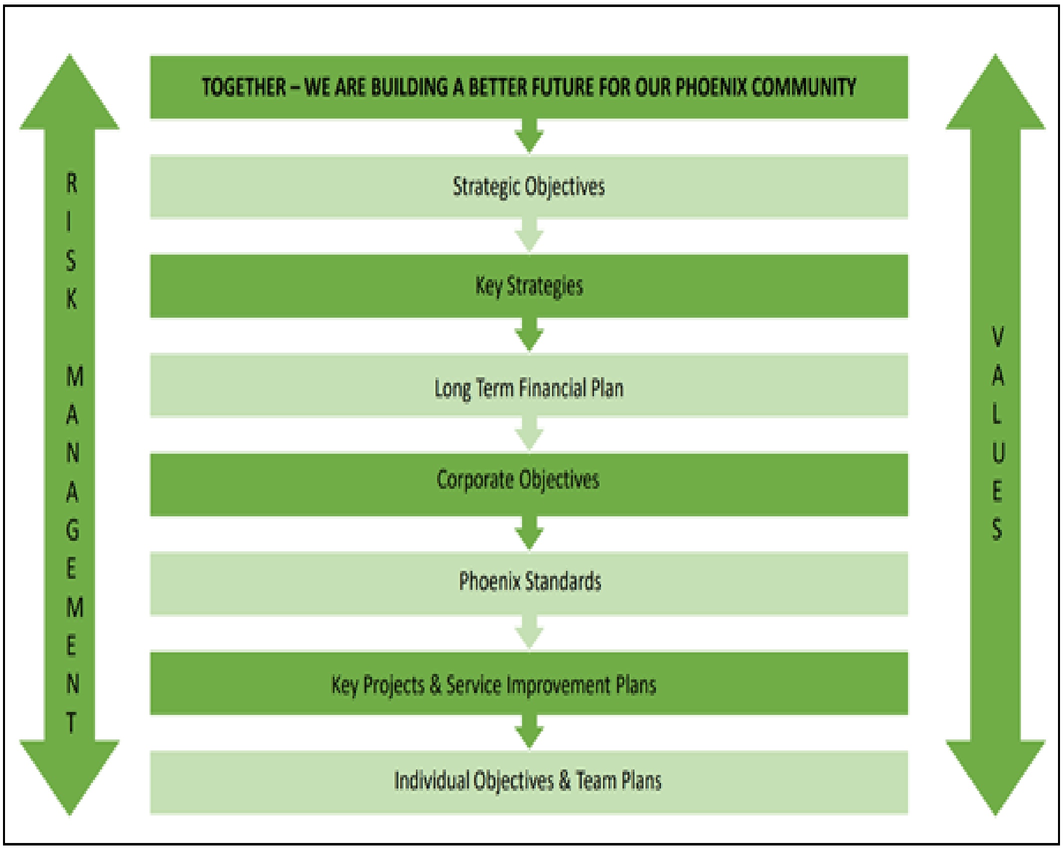
## Strategic Report

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 2023.

### Objectives and strategy for achieving those objectives

Phoenix's vision is that "Together we are building a better future for our Phoenix Community".

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:




In March 2020 the Board agreed a corporate plan for 2021-25 and set four strategic objectives to support our vision:

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

The Board reviewed the vision and strategic objectives during 2022/23 in consultation with residents and staff. The vision was maintained To build a better future for our Phoenix Community and embrace our gateway model of resident leadership and membership we need effective governance to ensure homes and services meet our residents' needs, our business, neighbourhoods and community are sustainable, build new homes and ensure our community is supported through physical and community regeneration activities. The Board has reviewed and approved the Corporate Plan 2023 to 2028 to deliver slightly revised strategic objectives from April 2023. These are:

1. Resident leadership and effective governance.
2. Homes and services that meet our residents needs
3. Sustainability for Phoenix, our homes, neighbourhoods and community.
4. Growth in new homes and opportunities.

## Our values


**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. Phoenix as at 31 March 2023 owns and manages a total of 7,690 properties (2022: 7,715). This is made up of 6,406 general needs tenanted properties, an extra care scheme comprising 60 flats, 31 shared ownership properties, 5 other and 1,188 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. The maintenance service provided by Phoenix Agency Services Limited was transferred to the Association with most staff and contracts transferring /novating across to the Association on 1 April 2023.

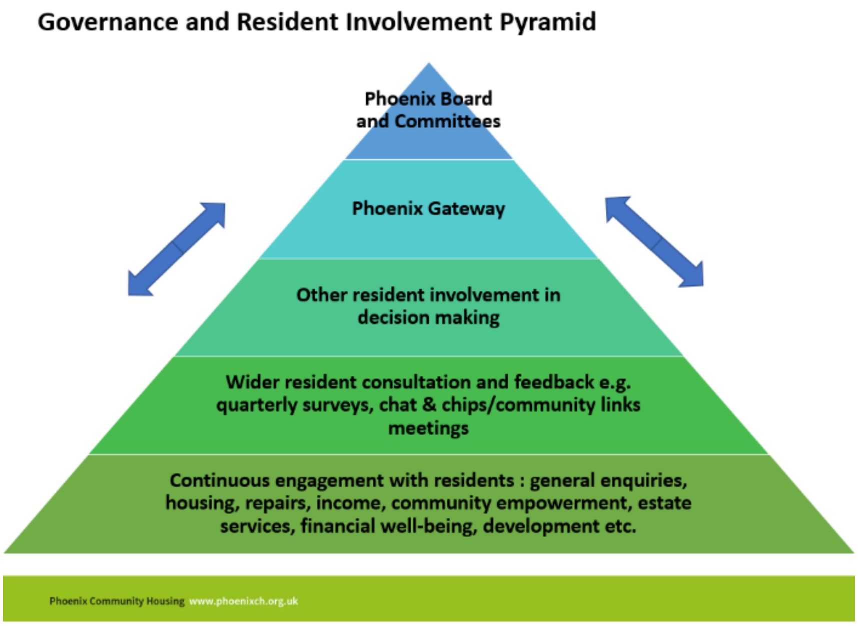
## Development and performance throughout the financial year and position at the end of the financial year

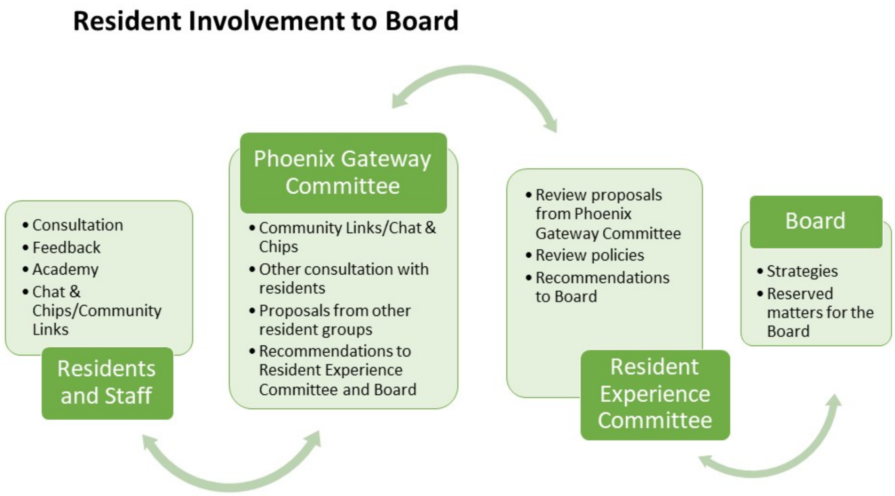
We set out below our performance in 2022/23 under each strategic objective.

1. *Resident leadership and effective governance*

The Chair and Vice-Chair positions on the Board were stable in the year, both tenants. Two new tenant Board members were appointed during the year following resignations.

During 2022-23 we carried out a Governance and Resident Involvement Review to ensure that we continued to meet the four principles of a Community Gateway. This review has been concluded and the Board considered the outcomes and the governance changes in March 2023. The revised arrangements for Governance and Resident Involvement have been summarised visually below, and a new Resident Involvement and Community Engagement Strategy was approved by the Board in May 2023.






In 2022/23 the Phoenix Gateway Committee were key to shaping the Governance & Resident Involvement in Decision-Making review, and the new Resident Involvement & Community Engagement Strategy that flowed from the review. They also helped to increase the numbers of residents approached to complete the Tenant Satisfaction Measures survey, and provided their views on the key issues coming out of the survey to the Board, highlighting issues such as complaints and repairs, supported by customer journey mapping which in turn lead to the creation of a single Complaints Investigation team. This also impacted in the decision to bring the repairs service in house.

During 2023/23, the Phoenix Gateway Committee also helped shaped a range of resident involvement and community engagement activities including chat & chips, gold member event, community chest, summer fun, diversity events and annual general meeting.

The PGC also helped to shape a number of policies, strategies and services including estate services, fly-tipping, social housing decarbonisation fund, emergency repairs – making recommendations to the Resident Experience Committee and Board on changes, damp and mould including suggestions on communicating effectively with residents, voids and lettings standard, and bringing the repairs service in-house.

The PGC were also consulted on the proposed rent increase to apply from April 2023.

The PGC were heavily involved in consultations on the Corporate Plan, and refocusing the plan on a new 5 year plan, during a more difficult financial climate making suggestions to the Board.

The Customer Services Strategy was reviewed during the year, and the PGC were involved in that review, helping to shape, patch-based working, community links, and the focus of the strategy.

A Resident Scrutiny Panel scrutinises Phoenix's service performance and helps 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. Key areas of focus for the Scrutiny Panel in 2022/23 were monitoring the implementation of previous review recommendations, supporting Phoenix to implement the housing ombudsman's revised complaint handling code, 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 16 policies and three strategies policies were updated during the year which included three 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. Further to #BEin, the Board approved plans for a Phoenix Youth to widen the involvement of Phoenix residents to include young people who live in Phoenix's properties, and to develop future leaders. The PYC helped to develop young people's role within the Phoenix engagement structure and the Phoenix Youth Council (8 Phoenix Residents aged 16 to 25 years old) helped 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. They also were part of resident workshops on the Governance & Resident Involvement in Decision-Making review, as well as having their own input into the review, and the new Resident Involvement & Community Engagement strategy.

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 reduced to 3,370 members at 31 March 2023 (2022: 3,443), with the pandemic and related restrictions limiting the opportunities to promote membership. We plan to increase shareholding membership over 2023/24.

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 2022/23, 117 students graduated from the Academy level 1 CIH practice qualification, of which 27 were Phoenix residents and 30 were Phoenix staff. Two Phoenix residents and four Phoenix staff member completed a level 2 Chartered Institute of Housing (CIH) practice qualification, four Phoenix staff completed a level 3 CIH practice qualification funded by a bursary from Phoenix, and one Phoenix resident and two Phoenix staff completed a level 4 CIH practice qualification.

The proportion of residents for which a disability profile is up to date at the end of the year was 62%. A specific project to complete in 2023/24 is to update our resident profile information and record resident support needs to enable us to know where our most vulnerable and at risk residents reside so that we can provide a tailored housing service to support individuals.

*2. Excellent services, efficiently delivered with empathy and openness*

Services continued to be delivered partly from the Green Man office and community hub, with staff adopting an agile approach to working from home. Face to face engagement opportunities with residents and staff fully resolved in 2022/23.

In April 2022 a single tenant satisfaction survey was implemented, rather than the previous multiple distinct surveys, to embed and drive a culture of great services with residents and staff. The tenant satisfaction surveys use a perception based approach compared to a transactional approach. The perception based approach is based on tenant satisfaction measures proposed by the regulator of social housing that has enables us to have some base line data ahead of regulatory implementation in April 2023.

In 2022/23 3709 residents were surveyed, this represents 52% of our tenants. Overall satisfaction with Phoenix as a landlord has remained consistent with 21/22 at 74%. Nationally satisfaction rates are comparatively lower when compared to pre pandemic levels however performance is in the upper quartile compared to London peers. As a new strengthened approach to consumer regulation is implemented across the sector, improving resident experience will be a key focus and priority. This feedback and insight from our performance and satisfaction results will play a key role in resident involvement in decision making and our plans to improve our services over the next year.

Below are the results compared to target.

| Satisfaction Indicator | 2022/23 Performance | 2022/23 Target |
|---|---|---|
| Residents satisfied that Phoenix listens to their views and acts upon them | 70% | 66% |
| Tenants satisfied with the service Phoenix provides | 76% | 81% |
| Leaseholders satisfied with the service Phoenix provides | 60% | 65% |
| Residents agreeing that Phoenix treats them fairly and with respect | 86% | 85% |
| Residents satisfied that Phoenix keeps tenants informed about things that matter to them | 84% | 81% |
| Residents satisfied with the repairs service they have received to their home from Phoenix (if they say that they have had a repair in the last 12 months) | 75% | 74% |
| Residents satisfied with the time taken to complete the most recent repair | 68% | 75% |
| Residents satisfied that Phoenix keeps communal areas clean and well maintained (if they say they have communal areas) | 76% | 81% |
| Residents satisfied that Phoenix makes a positive contribution to neighbourhoods | 78% | 81% |
| Residents satisfied with Phoenix's approach to handling of anti-social behaviour | 72% | 55% |
| Residents satisfied with Phoenix's approach to complaints handling (if they say they have had a complaint) | 32% | 55% |
| Residents satisfied that Phoenix provides a home that is well maintained | 70% | 81% |
| Residents satisfied that Phoenix provides a home that is safe to live in. | 76% | 81% |

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

| **Performance indicator** | **2022/23 Target** | **2022/23** | **2021/22** | **2020/21** | **2019/20** | **2018/19** | **Comment** |
|---|---|---|---|---|---|---|---|
| Responsive repairs completed on time<br><br>Responsive repairs completed right first time | 96%<br><br>94% | 96%<br><br>97% | 96%<br><br>95% | 96%<br><br>96% | 96%<br><br>95% | 98%<br><br>92% | Performance on repairs was in line with target for completed on time and for completed on first visit. The proportion of emergency repairs increased in 22/23 and was most prevalent in the winter weather. |
| Proportion of complaints resolved on time | 87% | 49% | 74% | 67% | 30% | 55% | Complaints policy focuses on resolution of complaints. Performance in this area has decreased |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | during the year and in response a new team has been created to act as one point of contact for complaints and conduct investigations. A key focus of the team will be improve the way we handle complaints and improve resident satisfaction. The procedure aligns with the Housing Ombudsman Code for Complaints Handling. |
| Complaints escalated above stage 1 | n/a | 9% | 9% | 9% | 4% | 6% | |

The Board agreed in January 2023 to collapse the subsidiary Phoenix Agency Services and to bring the responsive repairs service in-house. Most staff and operations transferred on 1 April 2023. Work to integrate and improve the repairs service is ongoing.

Due to the drop in performance on complaint handling, a new complaints investigation team has been established. The new team went live in July 2023.

The programme of major works and improvements to the housing stock continued following the review of safe working practices, with total expenditure of £5.3 million to 31 March 2023, 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%. As at 31 March 2023 there were nine non-decent properties, eight of which relate to housing, health and safety rating concerns. All are a priority in the 2023/24 buildings works programme.

The Board has previously agreed plans for environmental works and improvements to fencing in response to Scrutiny Panel recommendations and consultation with residents. These plans were impacted by the pandemic and further reviewed in line with changes to the rent standard. Consequently, our approach to some environmental works and improvements will be phased over a longer period of time and a new fencing policy was adopted in March 2023.

The extra care scheme at Hazelhurst Court continues operating successfully and has received several awards. The scheme operates in partnership with Lewisham Council as the care commissioners and Westminster Care, who are the new care providers.

Anti-social behaviour has substantially fallen in 2022/23 and safeguarding cases have slightly increased in 2022/23 however both are above pre-pandemic levels. Overall health, education and well-being inequalities in our area are increasing and are working collaboratively with Lewisham Council and other agencies to address these issues.

A major project (Digital Together) to implement customer relationship management and electronic document and records management systems completed during the year. The project is delivers 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, of which 27% of households are currently signed up to use. The target for 2023/24 is 33%. The project also enables the delivery of the Annual General Meetings with resident shareholders able to participate remotely as well as in person, and the move to an online learning model for the Phoenix Academy.

*3. Growth in new homes and opportunities*

Three properties were acquired under our purchase and repair programme, two at general needs rent and one at intermediate rent.

2022/23 was the first full financial year following the acquisition of the Grove Park properties through stock transfer from L&Q. The integration of services for these tenants and work to bring their properties up to Phoenix standards was a major piece of work in 2022/23.

A new Development Strategy was put in place that responds the current challenging economic environment and enables Phoenix to pause some schemes in the development pipeline.

The development at Velo House is nearly complete, however contractual issues with the main contractor have delayed the completion of the 45 flats and a commercial unit. Following legal advice and action the contract has been terminated and the site and works are now being directly managed by PCH. Works will be undertaken to progress the site to completion, which is now anticipated to be achieved by late 2023. Two schemes started on site this year, Melfield Gardens providing 32 flats and Farmstead Road providing 24 flats for London Affordable Rent and Shared ownership, these are forecast to complete in 2024/25. Following the acquisition of Catford Police Station in March 2022, the Board approved that the design development work should start to provide a planning approval by 2025/26.

A total of 19 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 original operator left the site in June 2022. A new operator was found who relaunched the facilities in September 2022 but the environment has proved challenging to build a regular trade with the cost of living crisis impacting on disposable income for the community.

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

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.

Rent collection has remained above target as set out in the table below:

| **Performance indicator** | **2022/23 Target** | **2022/23** | **2021/22** | **2020/21** | **2019/20** | **2018/19** | **Comment** |
|---|---|---|---|---|---|---|---|
| Rent collected as a percentage of gross rent receivable (excluding voids) | 100% | 98.6% | 100.3% | 100.8% | 99.3% | 100.9% | Performance below target of 100% in 2022/23 with increasing numbers of tenants on universal credit and the cost of living crisis impacting. 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 | £1.0m | £1.1m | £0.9m | £0.7m | £0.7m | £0.7m | Performance above target in 2022/23, reflecting focus on income collection combined with support for leaseholders. |
| Leaseholder major works service charges - amounts collected in year | £0.1m | £0.2m | £0.3m | £0.3m | £0.4m | £0.5m | 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. |

Voids performance is set out below:

| Performance indicator | 2022/23 Target | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 | Comment |
|---|---|---|---|---|---|---|---|
| Void loss as a percentage of gross rent receivable | 0.50% | 0.53% | 0.82% | 0.59% | 0.24% | 0.29% | Void loss lower than prior year mainly due to the decrease in relet days noted below. |
| Average number of days taken to relet a property (short-term voids) | 28 days | 46 | 73 | 66 | 22 | 23 | Performance above target of 28 days. The turnaround of void properties was impacted by the poor performance of voids sub-contractors. New subcontractors were put in place in 2022/23 and performance should improve in 2023/24. Voids processes and procedures have also been updated. |

The current Sustainability Strategy includes 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 962 (30% of properties surveyed) at the end of March 2023 and the financial plan approved by the Board includes provision for expenditure to bring all homes up to SAP C by 2030. 494 energy advice sessions were provided to residents during the year, substantially increasing following the resumption of face to face meetings.

Landlord health and safety compliance continues to be monitored and an area of key focus and importance.

The Group has a thorough and robust approach to building and fire safety – considering people and their homes - and engage an independent company to undertake fire risk assessments in blocks to manage the risks of fire. We are working towards compliance with the requirements of the Fire Safety Act 2021, Fire Safety (England) Regulations 2022 and Building Safety Act 2022.

We have completed detailed surveys of our five over 18 metre high blocks of flats, with surveys also taking place on the blocks over 11 metres high. The information gained from the surveys, will inform and update our planned investment programmes to ensure these buildings continue to be safe. The current financial plan allows for £5.2 million of fire and other building safety works over the next 4 years to meet the new requirements, which is relatively low compared to other London based housing associations.

The surveys will also support the development of our Building Safety Cases and Safety Case Reports, which are required to enable us to comply with the Building Safety Act 2022 and demonstrate how we can be sure the buildings are safe.

We have completed 161 fire safety actions raised from the fire risk assessment programme over the past 12 months and have developed a programme for 2023/24, whereby we will be carrying out fire safety works at Nayland House and Millcroft House including upgrading flat entrance and communal fire doors, fire stopping works and replacement of windows and spandrel panels externally to blocks.

We are working with residents in respect to Building and Fire Safety including resident engagement events such as Gateway meetings and “Chat and Chips”, developing fire safety leaflets delivered to residents, as well as a dedicated fire safety page on our website. A revised Building Safety and Fire Policy has been approved to ensure we are taking the necessary steps to keep people safe.

We will be reviewing our approach to apprenticeships in 2023/24 along with Phoenix Foundations, a scheme to support young people with learning disabilities into employment run in partnership with Lewisham Council and Lewisham College.

Our community engagement team directly supported 41 Phoenix residents into work and supported external training places through use of our buildings or other resources, benefitting 180 Phoenix residents.

Our community chest programme continued during the year and we spent £147,000 for grants for a new round of community chest projects and to support the Lewisham as “Borough of Culture”. Tenants made the final decisions about which projects are funded by voting on their priorities for funding from the applications submitted. Projects were aimed at adults, older people, children, young people and families. Activities have ranged from respite for young carers, summer schemes, animation workshops, African drumming, healthy living, wellbeing sessions, a hand and toenail cutting service, exercise classes at Hazelhurst Court, massage therapies and free football for teenagers.

We delivered 108 digital devices to Phoenix 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 the food bank through donations. Of particular note was the Financial Wellbeing team’s success in helping residents access over £814,000 of additional income and benefits.

Staff turnover increased from 19% to 23%, above agreed tolerance but partly due to the end of a number of fixed-term contracts, including apprentices, trainees through the government’s Kickstart programme and staff introduced to support the Grove Park acquisition at the end of 2021. Average days of sickness increased from 9.8 to 10.8 days, principally due to a number of unrelated long-term sickness cases. A range of wellbeing support is on offer to staff and we have now introduced private medical cover in part to seek to reduce long-term sickness absences.

Our most recent staff engagement survey, issued in May 2022, showed an overall engagement figure of 7.2, in line with a survey issued earlier that calendar year. We plan to resume staff engagement surveys following an organisational restructure taking place in the summer of 2023.

*Subsidiaries performance*
Repairs completion performance for the subsidiary company, Phoenix Agency Services (PAS), is reflected in the Phoenix key performance indicators above. A transactional satisfaction with repairs measure at 80% was below the target (90.5%) which reflects the longer term impact of the pandemic and a move to an essential repairs service only during the periods of lockdown. Average time to complete repairs was one day greater than target at 11 days.

The Board considered a business case for bringing the services delivered by PAS in house in September 2022 and January 2023. The key reasons being cultural alignment, financial savings anticipated, simpler and better budgetary oversight, integration of call handling and critically improved service and performance. The Board agreed in January 2023 (following an in-principle decision in September 2022) to collapse the PAS subsidiary from 1 April 2023 and to establish and in-house repairs service within PCH itself. A transition plan was established to manage the transfer and maintain performance levels.

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 reduced the number of properties under management from 26 to 23, compared to a target of 46. During the year the emphasis moved away from this target towards a different strategy for the future which is related to a new Disposal of Assets Policy for PCH, which includes the long-term leasing of some high cost void properties to Homemakers for sub-market rental in the local private sector housing market, alleviating the financial challenges of high cost voids for PCH and providing a new income stream from Homemakers.

## 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 43 shows an operating surplus of £8.9 million (2022: £7.3million) on turnover of £43.0 million (2022: £35.9 million). Turnover was higher than 2021/22 principally due to the effects of a full year of income from the Grove Park stock which was acquired at the end of November 2021 and the increase in rents of 4.1% in April 2022 (based on the September 2021 Consumer Prices Index plus 1% in line with the rent standard set by the Regulator).

Operating expenditure increased to £37.8 million (2022: £30.8 million), mainly due to the operating costs associated with the full year of the Grove Park stock, an increase in maintenance costs and void works costs and general inflationary pressures for staff costs and overheads.

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

The operating surplus of £8.9 million (2022: £7.3 million) includes the surplus on property sales from the Preserved Right to Buy and Right to Acquire of £3.6 million (2022: surplus of £2.0 million) and a surplus of £76,000 on the revaluation of investment properties (2022: surplus of £175,000).

Net interest payable of £4.7 million was higher than 2021/22 (£4.3 million) reflecting the full year of interest on the funding arranged for the Grove Park stock acquisition.

Other comprehensive income includes the actuarial losses in the year of £0.6 million (2022: gain of £3.1 million) in respect of the defined benefit pension schemes in which Phoenix participates. The change to a significant gain to a loss results from the changes in the actuarial assumptions for future pension service costs which further restricts the recoverability of the LGPS pension net assets even though the underlying LGPS net asset position increased by £5.3m. This is explained further in note 30.

The overall surplus for the year was £3.7 million (2022: £6.2 million), the most significant factors in the decrease from 2021/22 being the actuarial losses in respect of the pension schemes compared to the actuarial gains of the previous year and the increases in the surpluses on the sales under the Preserved Right to Buy and Right to Acquire, with 19 properties sold this year compared to 11 in the previous year.

The Consolidated Statement of Financial Position is shown on page 45. The net book value of housing property increased to £328.3 million at 31 March 2023 (2022: £324.1 million), principally made up of the acquisition of three purchase and repairs properties, new component spend and the development of properties under construction. Social Housing Grant and other grants of £20.5 million (2022: £15.1 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 prepared by professional valuers in 2023.

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 £0.1 million (2022: £0.2 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 are similar to the previous year. The overall increase in debtors of £1.8m is principally due to amounts outstanding from L&Q of which some was settled following year end and the remainder should be settled in the next few months as final accounts are agreed, bringing the debtors position back to normal.

Creditors due within one year at 31 March 2023 of £19.4 million (2022: £19.5 million) incudes bank loans of £zero million repayable within 12 months (2022: £5 million). An increase in trade creditors was offset by a decrease in accruals.

Creditors due after one year decreased to £180.9 million (2022: £181.1 million). Creditors due after one year is mainly made up of loans of £169.1million and 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 FRS 102 and was a net asset of £0.9 million at 31 March 2023 (2022: net asset of £1.5 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. Although there is a substantial increase in the share of pension scheme net assets, principally due to the increase in the projected bond discount rates that reduces future obligations, the amount recoverable has reduced reflecting updated assumptions on the future service costs for current employees in these pension schemes.

The revaluation reserve of £48.9 million (2022: £49.0 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 14 properties under the Right to Buy and 5 under Right to Acquire. Three properties were purchased, resulting in a net transfer of £3.0 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 46. The cash inflow from operating activities was £16.5 million (2022: £13.4 million), including sales of property through the Right to Buy which generated £4.7 million (2022: £2.4 million). During the year, the Group spent £12.0 million (2022: £102.5 million) on housing properties, with 2022 including the Grove Park stock acquisition, and £0.9million (2022: £1.1 million) on other fixed assets, Grants received totalled £5.6 million (2022: £0.7 million). Interest paid was £5.8 million (2022: £4.5 million). There was no new debt issued but a £5 million bank loan was repaid and with a reduction in cash reserves of £1.3m results in a decrease in net debt of £3.7 million.

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

| **£000** | **2022/23** | **2021/22** | **2020/21** | **2019/20** | **2018/19** |
|---|---|---|---|---|---|
| Turnover | 42,967 | 35,919 | 33,276 | 36,870 | 33,135 |
| Operating surplus | 8,898 | 7,347 | 8,281 | 8,974 | 8,905 |
| *Operating margin %* | *21%* | *20%* | *25%* | *24%* | *27%* |
| Net Interest payable | (4,539) | (4,107) | (3,390) | (2,956) | (2,808) |
| Break costs and write-off of arrangement fees | (87) | (177) | - | - | - |
| Surplus/(deficit) before tax | 4,272 | 3,063 | 4,891 | 6,018 | 6,097 |
| Tax credit/(charge) | (1) | 3 | 20 | 40 | (38) |
| Other comprehensive income – actuarial gains/(losses) on pension schemes | (617) | 3,104 | (2,331) | 4,109 | (845) |
| Net surplus/(deficit) | 3,654 | 6,170 | 2,580 | 10,167 | 5,214 |
| | | | | | |
| Housing properties | 328,256 | 324,136 | 223,135 | 214,468 | 200,346 |
| Investment property | 1,015 | 939 | 764 | 662 | 185 |
| Other fixed assets – tangible assets | 6,927 | 7,235 | 7,184 | 7,305 | 10,093 |
| Other fixed assets – intangible assets | 1,730 | 2,168 | 1,904 | 1,766 | 1,341 |
| Net current assets | 3,802 | 3,113 | 22,672 | 18,235 | 13,915 |
| Unamortised grant due > 1 year | (11,681) | (11,817) | (8,033) | (4,793) | (4,818) |
| Other liabilities | (121) | (121) | (124) | (124) | (124) |
| Loans | (169,132) | (169,120) | (94,506) | (89,498) | (79,503) |
| Pensions asset/(liability) | 903 | 1,512 | (1,121) | 1,274 | (2,307) |
| Revenue reserves and share capital | 108,163 | 107,377 | 102,151 | 99,840 | 88,352 |
| Revaluation reserve | 48,857 | 49,024 | 49,131 | 49,203 | 49,242 |
| Restricted reserve | 4,679 | 1,644 | 593 | 252 | 1,534 |
| | | | | | |
| Net cash inflow from operating activities | 16,473 | 13,426 | 16,548 | 13,358 | 13,856 |
| Net interest cash outflow | (5,551) | (4,292) | (3,588) | (3,352) | (3,031) |
| Net capital expenditure | (12,744) | (103,696) | (12,782) | (19,211) | (16,023) |
| Grants | 5,563 | 715 | 2,413 | 3,489 | 2,200 |
| Loans drawn down (net) | (5,000) | 80,000 | 5,000 | 10,000 | 14,750 |
| | | | | | |
| Number of properties | | | | | |
| General needs | 6,406 | 6,438 | 5,358 | 5,341 | 5,336 |
| Supported | 60 | 60 | 60 | 60 | 60 |
| Shared ownership | 31 | 31 | 8 | - | - |
| Other | 5 | 4 | 3 | 2 | 1 |
| Leaseholders | 1,188 | 1,185 | 849 | 851 | 856 |
| Total | 7,690 | 7,718 | 6,278 | 6,254 | 6,253 |

## Future prospects

### Resident Leadership and Effective Governance

Our Community Gateway model is at the heart of everything we do at Phoenix. We remain committed to being resident lead and the actions we undertake under this strategic objective are designed to support this model, ensure residents are involved in decision making and ensure we have effective governance in place.

We will continue to embed the new Resident Involvement and Community Empowerment Strategy (RICE) through an agreed action plan. We will build on the work commenced in 2022/23 to introduce new Community Links areas, which enable us to engage with residents on matters relevant to their communities and enable residents to vote on priorities for discretionary spending in their area. We are reshaping the way we work internally across Directorates to we can serve the Community Links areas. We are developing a training plan for Board and Committee Members, with a particular focus on supporting residents who participate in our formal governance structures, and to aid Board succession planning. We are undertaking a review of our Gold Membership scheme, to ensure that it is relevant to residents, reflects our new RICE Strategy and delivers added value to the organisation.

Following the commencement of the RSH consultation on the new Consumer Standards, we will be preparing an action plan to ensure that we are ready for the implementation of the proposed new standards in April 2024. We will also commence work to ensure that the organisation is ready for a regulatory inspection during 2024, and undertake a self-assessment of our performance against the Economic and new Consumer Standards.

### Homes and Services that meet our residents' needs

We are committed to delivering homes and services that meet all legal and regulatory standards but that also deliver to residents through working collaboratively at a local level and in partnership with local agencies.

In 2022/23 we introduced a new Customer Services Strategy and we will continue our work to embed this approach including the Community Links area approach, and offering digital services to residents who chose to engage with us through online services, including through the continued development of our resident portal. We will continue our work towards the DAHA (Domestic Abuse Housing Alliance) accreditation, to ensure we provide appropriate support to residents affected by domestic abuse.

We will have an increased focus on complaints handling during 2023/24 to improve both the turnaround of complaints, but also the quality of the responses and follow up actions. We have introduced a new complaints investigation team and added additional resources to the team to facilitate the improvements sought.

We will be developing in consultation with tenants new Homes and Services standards that meet all legal and regulatory requirements. We will inform our decisions and priorities through undertaking full stock condition surveys on 20% of our stock annually. We will during 2023/24 finalise the integration of the Phoenix Repairs Service into PCH's operations, introducing new processes to improve performance.

### Sustainability for Phoenix, our homes, neighbourhoods and the community

We are committed to ensuring we have the people and resources to deliver our plans and vision, as a result we have been progressing through an organisation wide restructuring programme that is due to complete in early Autumn.

Our long-term financial viability is key to our ability to deliver on the Corporate Plan objectives. We reviewed the plan in June 2023 (following its revision in January 2023). We are working to renegotiate our tightest financial covenant and will review our plan and associated golden rules once this process is concluded and in any case before the end of the financial year.

After successfully bidding for SHDF (Social Housing Decarbonisation Funding), we are delivering a £2.88 million pilot programme (of which £1.1 million is being funded by SHDF grant) to deliver improvements to 166 homes to bring them to SAP B and C and move towards the Sustainability Strategy targets of SAP C (EPC C) by 2030 and Net Zero Carbon by 2050 for our stock in line with Government legislation.

**Growth in new homes and opportunities**
We have agreed a new Development Strategy and will be piloting alternative models for delivery and diversifying the range of tenures we offer through the Catford Police Station development. This scheme is currently at Development Brief stage and will be progressed through the next three years. The Board agreed a new Disposals Strategy in May 2023, which will see units apprised and the opportunity to long-lease up to 20 high cost voids per annum to our subsidiary Homemakers, who will in turn rent the units to the open market at intermediate rent, providing new opportunities to both residents and the association.

## 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. 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.

**Macroeconomic risk**
The current macroeconomic position creates risks to the Association costs including high inflation, a tight labour market and supply chain challenges, as well as these factors affecting our principal contracts and contractors. Furthermore, the position also threatens key income streams including the cost-of-living crisis affecting residents' ability to pay rent and service charges (and requiring more support from their landlord), and revenue pressures on commercial activity undertaken. These risks and particularly differential inflation affecting multiple areas of the business do have an impact on the business plan, however the plan has been stress tested and multi-variate scenarios considered.

**Challenge in managing the increasingly complex issues faced by the housing sector**
The demands and expectations on the social housing sector have never been greater than they currently are. These include the need to ensure the quality and safety of our existing homes, the challenges of developing new homes and ensuring we provide quality services to our residents.
The Association has had a transformational programme in place for the last 18 months that is targeted at ensuring we are addressing these challenges. During that time a staff re-organisation has been undertaken, a new Customer Services Strategy adopted, a revised Development Strategy agreed, a new Disposal of Assets Policy finalised and a Damp and Mould group established, amongst many other projects. The new Consumer Standards are currently out to consultation and we will work to identify and address any gaps, as well as continue to embed and deliver against our strategies and policies.

**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. 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. One scheme has faced a significant delay due to contactor failure, however legal remedies have now been taken, and the scheme should complete in late 2023, following a significant delay. The Board has approved a strategy for engaging with residents affected by the development of new homes and has agreed a revised Development Strategy to manage the impact of development on the business plan during the macroeconomic uncertainties outlined above.

**Failure to ensure effective data integrity and security**

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.
Work now needs to commence on an Information Strategy, to ensure we have clear record keeping, a single version of information held and reporting facilities on information held. The new consumer standard lays out clear expectations for landlords in terms of coherent information management.

**Breach of Health and Safety legislation**

Phoenix as a landlord and employer has considerable health and safety responsibilities. 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, taking a zero tolerance approach to non-compliance and the Executive Team, Resident Experience Committee and Board monitor progress and compliance with all applicable legislation, regulation and Phoenix policies.

**Resident leadership**

There is a risk that our resident leadership is diluted and that we fail to be accountable to our tenants and leaseholders. The changing demographic of our residents as properties are relet and the demands on involved residents and resident Board members do pose a risk to the Association however we had addressed the complexity of our governance structure and we are providing multi-channel opportunities for residents. We will continue to work to address this risk, especially given our gateway model and the requirements of the new Consumer Standard.

**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 surplus net cash inflows and debt. The Group borrows at both fixed and floating rates of interest. It does not borrow in foreign currencies. Phoenix had bank loan facilities of £40 million at 31 March 2023 (2022: £45 million). The Association also raised £175 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 2023 (2022: £175 million).

The Association had drawn debt of £170 million at 31 March 2023 (2022: £175 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 2,400 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 2023, 100% (2022: 100%) of the Group's borrowings were at fixed rates. The fixed interest rates range from 2.3% to 6.3%.

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 2023 of £46 million (2022: £47 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 2023, the Association's exposure to refinance risk within one year was £nil (2022: £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 2023, the Group had £21.1 million (2022: £16.6 million) of contracted capital commitments which will be funded by a combination of net operating cashflow 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 2023, 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 2023/24, 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 has approved its strategic objectives and key projects for the years 2021/22 and beyond, which is supported by a Value for Money Strategy that was reviewed and approved by the Board in November 2021 with a further update to Board in November 2022. 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:

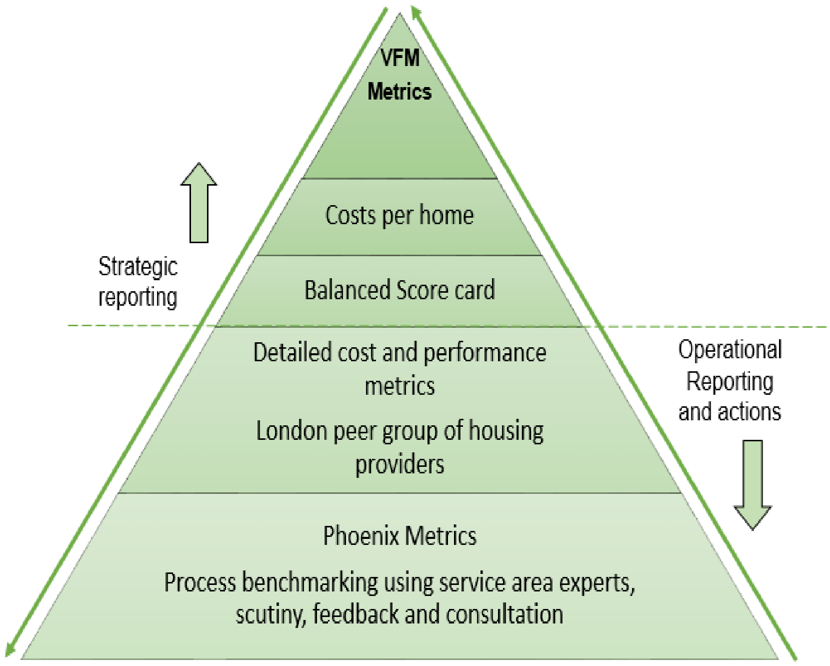
- set a robust approach to achieving Value for Money, including a rigorous approach to decision making and option appraisal to improve services, deliver projects and review our structures;
- assess the return on our assets so we can get the most benefit from them now and in the future; and
- set targets 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 in recent years is the Grove Park stock acquisition, which leads to economies of 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 2022/23 compared to 2021/22 and the budget for 2023/24 are set out in the table below, including comparisons to our peer group of London associations for 2021/22, the latest available information.

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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | better than median performance compared to peer group (London associations - group basis) | | | | | | |
| | | worse than median performance compared to peer group (London associations - group basis) | | | | | | |
| | | | Actual 2021/22 £'000 | Actual 2022/23 £'000 | Budget 2023/24 £'000 | Trend 2021/22 | *Median* | Comment |
| 1 | Reinvestment % | | 32.69% | 3.3% | 7.68% | ↓ | *5.4%* | 2021/22 reflects The Grove Park acquisition. The lower precentage in 22/23 reflects a relatively small development program and an underspend on capitalised works |
| 2a | Number of new homes acquired or delivered in the year as a % of home owned | | 14.45% | 0.04% | 0.69% | ↓ | *1.1%* | Only 3 purchase and repair properties this year. 2021/22 was principally the Grove Park acquisition. The budget for 23/24 incudes 8 purchase and repair and 45 homes to complete. |
| 2b | New supply delivered - non-social housing | | 0% | 0% | 0% | | *0%* | No completions of non-social housing |
| 3 | Gearing % | | 48.3% | 46.6% | 48.1% | ↑ | *44.4%* | Gearing increased significantly in 2021/22 due to the funding raised for the Grove Park stock acquisition. Gearing reduced in 22/23 following a relatively low development spend and increases in 23/24. |
| 4 | EBITDA MRI interest cover % | | 130% | 124% | 121% | ↓ | *94%* | Lower than 2021/22 principally due to the full year of interest on the debt issued to fund the Grove Park acquisition. |
| 5 | Social housing cost per unit | | 4,395 | 5,437 | 5,572 | ↓ | *6,641* | Increase reflects the full year of costs for the Grove Park acquistion, which artifically deflated lat year's number. In addition inflationary cost pressures to management costs and repairs costs. |
| 6a | Operating margin (social housing lettings only) excluding surplus on disposal of assets | | 14.6% | 12.8% | 21.6% | ↓ | *21.7%* | Lower operating margin than previous year due to higher management and repairs costs |
| 6b | Operating margin excluding surplus on disposal of assets | | 14.4% | 12.1% | 17.9% | ↓ | *17.2%* | Lower operating margin than previous year due to higher management and repairs costs |
| 7 | Return on capital employed | | 2.1% | 2.6% | 2.9% | ↑ | *2.2%* | Higher sales of RTB/RTA leading to a higher gains on disposals is the principal reason |

*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 in November 2021 increased the number of homes that Phoenix manages by 20%.

Phoenix has an ongoing development programme of new homes to address housing need in the area. There are currently 2,486 Lewisham households in temporary accommodation and there are around 10,000 people are on the waiting list for social housing in Lewisham. One development scheme for 45 flats is forecast to complete in 2023/24 and two schemes for a total of 56 flats are forecast to complete in 2024/25 for a mixture of London Affordable rent and shared ownership.

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 (nine are forecast for 2023/24) through the Right to Buy /Right to Acquire, which is funded from the retained proceeds from the Right to Buy /Right to Acquire sales. We acquired three properties in 2022/23 and are planning to acquire a further eight properties in 2023/24.

The private lettings management subsidiary, Home Makers, has a plan to lease 20 properties per year from Phoenix Community Housing for the next seven years (a total of 140 properties) that require high levels of void works (which Homemakers will pay for) and will be let at a market rent to cover those costs over the period of a seven year lease. When the lease ends it is intended that the properties are returned and re-let at social rent from Phoenix Community Housing.

We maintain an extensive asset management strategy that undergoes regular review and updates to align with our set goals and objectives. As part of our strategy, we conduct a comprehensive 20% stock condition survey, which involves visual inspections to gather detailed information about the condition of each property. This assessment enables us to identify short and long term repair requirements, address health and safety concerns, and determine if the properties are suitable for their intended purpose. The collected data is then utilised to generate reports on the overall condition of our housing stock and to assess repair and long-term maintenance needs for the next 40 years through a robust asset management database that also showcases our adherence to decent homes standards. Furthermore, we utilise supplementary systems to monitor the asset performance and energy efficiency of our properties. Last year, we carried out 1,634 surveys which is just over 20% of our rented stock.

In the year 2022/23, we continued our dedication to energy improvements by distributing £1,070 worth of vouchers to assist struggling households with energy bills across 374 properties.

We were successful in bidding for £1.1 million funding from the Governments Social Housing Decarbonisation Fund. This investment will be utilised to enhance the energy efficiency of 160 homes and reducing both carbon emissions and fuel bills for our residents. In addition to securing the £1.1 million, we will allocate an additional £2 million to implement energy efficiency measures, such as loft insulation and new windows, in our homes. This will result in annual energy bill savings ranging from £200 to £400 for residents, while also significantly improving the comfort and warmth of their homes

The first phase of the project is scheduled to commence in April 2023 and continue until 2025. Throughout this period, we will collaborate with residents to design the program and carefully plan he implementation of the retrofit work in their homes.

We continue to invest in our homes to ensure they are in a decent and safe condition and in 2022/23, 34 homes received new kitchens and bathrooms and 76 properties benefited from complete roof renewal.

*Gearing*

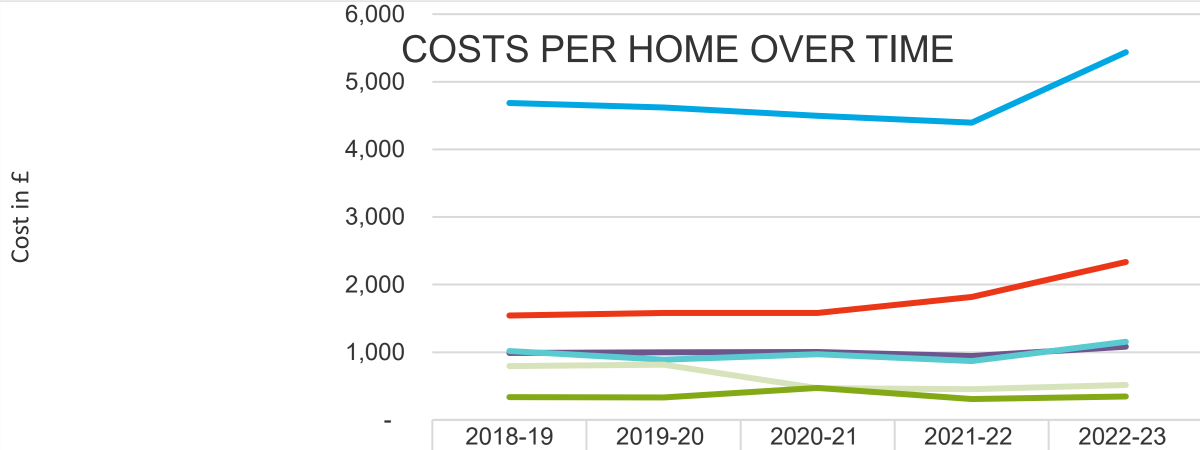
The gearing ratio increased significantly in 2021/22 to 48% as a result of the Grove Park stock acquisition which was funded by new debt. It has reduced slightly this year to 47% with the increase in the net book value of housing properties exceeding the increase in net debt. The level of gearing remains 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 2022/23 is lower than 2021/22. The increase in EBITDA MRI is more than offset by an increase in the interest payable, with a full year of interest applied relating to 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 increased over the last year, which is described below, after decreasing over the previous four 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.




| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|---|---|
| Total cost per home RSH method | 4,686 | 4,619 | 4,498 | 4,395 | 5,437 |
| Management cost per home | 989 | 997 | 1,006 | 944 | 1,082 |
| Maintenance cost per home | 1,543 | 1,583 | 1,582 | 1,820 | 2,335 |
| Major repairs cost per home | 1,020 | 892 | 970 | 870 | 1,155 |
| Service cost per home | 797 | 816 | 468 | 454 | 518 |
| Other social housing costs per home | 337 | 330 | 473 | 308 | 347 |

**Costs per home**

The table below compares our cost data to the median of London based Associations (consolidated) with more than 1,000 Social Housing homes for 2021/22 (the latest available data). The comparison should take into account that all London based Housing Associations will have experienced cost inflation pressures in 2021/22 and maybe considerably higher in 2022/23 than 2021/22 and accordingly the comparison may not be fair:

| | Cost Benchmark | Why are costs at this benchmark | Plans for the future |
|---|---|---|---|
| **Management cost per home** | Between median and lower quartile | Cost per unit for management vary considerably by housing association in London. Our costs have risen by only 7.6% over two years partly reflecting economies of scale by increasing unit numbers by 20% from the Grove Park acquisition. | The staff restructuring and further investment in IT should improve efficiencies allowing management costs to be reinvested in more tenant focussed activities. |
| **Service Charge cost per home** | Lowest quartile | Since 2021 this included water charges that are now invoiced directly to the resident. Our service costs for 2022/23 have increased 10.8% over the last two years, in part due to higher communal electricity and gas costs. Most properties have low or no service charges. Others in the sector may have a higher mix of flats or new properties with high service charges. | The majority of service costs are covered by service charges to residents, but a review will be carried out to assess whether to recover more efficiently as necessary. |
| **Maintenance cost per home** | Between median and upper quartile | There was an increase in maintenance costs and void works costs in both 2021/22 and2022/23 as demand increased following the easing of Covid related restrictions along with increased spend on some compliance areas. Other RP's are likely to be in the same position and accordingly the benchmarking is out of date and potentially we should be in a lower quartile. | With the maintenance service brought back into the parent company, efficiencies should be made on routine maintenance. Larger void costs will be carried out by Homemakers as those properties are leased to Homemakers, and thus reducing PCH's void cost per unit. |
| **Major repairs cost per home** | Between median and upper quartile | Major repairs costs per property were gradually reducing over time as the transfer commitments are met. However there was an increase in 2022/23, 18% higher than two years ago reflecting an increase in improvement works together with inflationary pressures. | The asset management system drives the programme of works for the future. The budget for 2023/24 includes the continuation of building safety works and additional programmes for environmental works and energy improvement. |

| | | | |
|---|---|---|---|
| **Other social housing costs per home** | Upper quartile | This includes the cost of our community regeneration activities and development feasibility costs which cannot be capitalised. | The budget for 2023/24 reflects a continuing commitment to support community regeneration activities. |

*Operating margin*

Our social housing lettings operating margin (excluding the surplus on disposal of assets) decreased to 13% in 2022/23 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 approximately £2.6 million higher and the operating margin would be 18%.

*Return on capital employed*

The return on capital employed increased to 2.6% in 2022/23 due to a higher surplus on disposals through RTAs and RTBs than the prior year. 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.

*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** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | better than median performance compared to peer group (London associations - group basis) | | | | | | |
| | | worse than median performance compared to peer group (London associations - group basis) | | | | | | |
| | | **Actual** | **Actual** | **Target** | **Trend 2021/22** | ***Median*** | **Comment** |
| | | **2021/22** | **2022/23** | **2023/24** | | | |
| | | **£'000** | **£'000** | **£'000** | | | |
| 1 | Tenant satisfaction | 75% | 74% | 81% | ↓ | *66%* | Tenant satisfaction decreased in 2022/23 reflecting a national trend (Phoenix also changed its methodology for 2022/23) |
| 2 | Void loss as a percentage of rent receivable | 0.8% | 0.6% | 0.5% | ↑ | *1.2%* | Improved performance due to a particular focus on voids. |
| 3 | Rent arrears | 6.9% | 5.3% | 5.9% | ↑ | *3.9%* | Impact of increase in number of tenants on Universal Credit and integrating the Grove Park stock acquisition, albeit a significant inprovement over the year, but still below the sector median |
| 4 | Average number of days sick per member of staff | 9.8 | 10.8 | 8.0 | ↓ | *10.1* | Increase in the number of days sick reflects an increased number of inividuals on longer term sickness. |

*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.

The total cost of our community empowerment and regeneration activities in 2022/23 was £526,000 net of income received, around 1.4% of total operating costs (£784,000 net of income in 2021/22; 2.7% of total operating costs).

We used the Social Return on Investment (SROI) model and the Housing Association Charitable Trust (HACT) model to assess the return on some of our activities during the year. All projects assessed achieved positive returns dependent on numbers reached and external grants received. The results are used to plan activities in the future and maximise future outcomes. The Scrutiny Panel have carried out a review of how we assess Social Value and endorsed the models used.

*Value for money gains*

The focus for 2022/23 was on the:

- integration of 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;
- as well as continued implementation of the Digital Together project including a self-service portal for residents;
- moving to a 12 month cycle for gas servicing where possible using the 'MOT' approach

Some £200,000 of savings from procurement of legal services through using the HALA legal framework compared to quoted standard hourly legal rates.

The Group achieved a positive return on assets; when assessed across the stock in 2022-23 all homes had a positive net present value.

There is no gift aid from Phoenix Agency Services in 2022/23. As this company is wound down in 2023/24 a final gift aid payment will be made. 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 £814,384 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.

*Future plans*

Major initiatives which aim to improve value for money for 2023/24 are:

- further 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;
- integration of PAS into PCH from 1 April 2023;

- continued implementation of the Digital Together project and promoting the use of the self-service portal for residents;
- maximising choice-based lettings so as many people can move when we get one empty home or build a new one;
- completing the move to a 12 month cycle for gas servicing where possible using the 'MOT' approach; and
- disposal of 20 voids to Home Makers over a seven year period.

The 2023/24 financial plan reflects anticipated savings with respect to the self-service portal £140k of savings per annum deferred to 2024/25 in conjunction with the organisational restructure; with approximately £80k of savings per annum for the MOT gas servicing approach; £200k per annual from 2024/25 for the PRS integration and £600k in total over a number of years for the voids transferred to Home Makers.

The value for money improvements contributed to the improvement in the operating margin for 2023/24 compared to 2022/23. However social housing cost per unit increases mainly due to increased capital works.

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 2022 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. 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 the Board consider key issues arising from the Audit Committee at each Board meeting and receive an annual report on risk.

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.

Through the work undertaken during the year on the management of internal controls and fraud, two separate instances of fraud were identified. The Audit Committee considered a report on an identified housing lettings fraud reported in February 2022 which was in turn reported to the Regulator in August 2022 and an update provided in June 2023. In response to the fraud and recommendations made through the independent investigation commissioned we put an action plan in place to address the issues identified and make improvements to control our environment. A second matter of fraud was considered during the year by the Audit Committee related to fuel and materials. This was reported to the Committee and Regulator in December 2022 has was also investigated by our independent Internal Auditors. The recommendations received have also been put an action plan in place to address the issues identified and strengthen internal controls in this area. Both matters have been referred to the Police. The Board considered these exceptions reported by the Executive Team in their assessment of internal controls.

Whilst the organisation has identified some weakness in internal controls, there are robust plans of action to address those weaknesses and the losses are not material to the financial statements. 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, Beever and Struthers, will be proposed at the next Annual General Meeting.

# 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

It has general responsibility for taking reasonable steps to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities. The Board are responsible for the maintenance and integrity of the Group's website.

**Statement of Compliance**

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

On behalf of the Board
Carmen Simpson
Chair

Date: 25 September 2023

# Independent auditor's report to Phoenix Community Housing

**Opinion**

We have audited the financial statements of Phoenix Community Housing Association (Bellingham and Downham) Limited ("the Association") and its subsidiaries (the Group) for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Reserves, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Association Statement of Comprehensive Income, the Association Statement of Changes in Reserves, the Association Statement of Financial Position, and related notes, including a summary of the significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and the Association as at 31 March 2023 and of the income and expenditure of the Group and the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the of the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

**Basis for opinion**

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's or Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

**Other information**

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

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 are required to report to you if, in our opinion:

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

**Board's responsibilities**

As explained more fully in their statement set out on page 37, the Association's Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group and 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 the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud**

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and noncompliance with laws and regulations, our procedures included the following:

• We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.

• We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

• We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

• The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.

• We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.

• We enquired of the Board about actual and potential litigation and claims.

• We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

• In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias

**Use of our report**

This report is made solely to the Association's members as a body, 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's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

**Beever and Struthers**
**Chartered Accountants**
**Statutory Auditor**
150 Minories
London
EC3N 1LS
Date:

# Consolidated Statement of Comprehensive Income

**For the year ended 31 March 2023**

| | Note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **TURNOVER** | 4 | 42,967 | 35,919 |
| Operating expenditure | 4 | (37,751) | (30,760) |
| Gain on revaluation of investment property | 4 | 76 | 175 |
| Gain on sale of property, plant and equipment | 8 | 3,606 | 2,013 |
| **OPERATING SURPLUS** | 4 | 8,898 | 7,347 |
| Interest receivable | 9 | 322 | 70 |
| Interest payable and financing costs | 10 | (4,948) | (4,354) |
| **SURPLUS FOR THE YEAR BEFORE TAXATION** | 5 | 4,272 | 3,063 |
| Tax (credit)/charge on surplus on ordinary activities | 11 | (1) | 3 |
| **SURPLUS FOR THE YEAR** | | 4,271 | 3,066 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Actuarial (loss)/gain on pension schemes | 30 | (617) | 3,104 |
| **TOTAL COMPREHENSIVE INCOME** | | 3,654 | 6,170 |

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 25 September 2023 and were signed on its behalf by:

**Carmen Simpson**
Chair

**Gloria Yang**
Board Member

**Charlotte Spendley**
Secretary

# Consolidated Statement of Changes in Reserves

**For the year ended 31 March 2023**

| | Revenue Reserve £000 | Revaluation Reserve £000 | Restricted Reserve £000 | Total £000 |
|---|---|---|---|---|
| **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 |
| Surplus for the year | 4,271 | - | - | 4,271 |
| Actuarial (loss) | (617) | - | - | (617) |
| Transfer between reserves | (2,868) | (167) | 3,035 | - |
| **Balance at 31 March 2023** | 108,159 | 48,857 | 4,679 | 161,695 |

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 2023**

| | Note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Housing properties | 12 | 328,256 | 324,136 |
| Investment properties | 13 | 1,015 | 939 |
| Other fixed assets – intangible assets | 14 | 1,730 | 2,168 |
| Other fixed assets – tangible assets | 15 | 6,927 | 7,235 |
| | | 337,928 | 334,478 |
| **CURRENT ASSETS** | | | |
| Properties for sale | 16 | 75 | - |
| Stock and work in progress | 17 | 120 | 121 |
| Trade and other debtors | 18 | 6,791 | 5,023 |
| Cash and cash equivalents | 19 | 16,208 | 17,471 |
| | | 23,194 | 22,615 |
| Pension asset | 30 | 1,778 | 2,420 |
| **CREDITORS:** Amounts falling due within one year | 20 | (19,392) | (19,502) |
| **NET CURRENT ASSETS** | | 5,580 | 5,533 |
| **CREDITORS:** Amounts falling due in more than one year | 21 | (180,934) | (181,058) |
| Pension liability | 30 | (875) | (908) |
| **NET ASSETS** | | 161,699 | 158,045 |
| **CAPITAL AND RESERVES** | | | |
| Non-equity share capital | 24 | 4 | 4 |
| Revenue reserve | | 108,159 | 107,373 |
| Revaluation reserve | | 48,857 | 49,024 |
| Restricted reserve | | 4,679 | 1,644 |
| | | 161,699 | 158,045 |

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 25 September 2023 and were signed on its behalf by:

| **Carmen Simpson** | **Gloria Yang** | **Charlotte Spendley** |
|---|---|---|
| Chair | Board Member | Secretary |

# Consolidated Statement of Cash Flows

**For the year ended 31 March 2023**

| | Note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | 26 | 16,473 | 13,426 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of fixed assets – housing properties | | (12,036) | (102,548) |
| Sale of other fixed assets | | 159 | - |
| Purchase of other fixed assets | | (867) | (1,148) |
| Grants received | | 5,563 | 715 |
| Interest received | | 204 | 68 |
| | | (6,977) | (102,913) |
| **CORPORATION TAX PAID** | | (4) | - |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Loans repaid | | (5,000) | (5,000) |
| Loans received | | - | 85,000 |
| Interest paid | | (5,755) | (4,537) |
| | | (10,755) | 75,463 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | (1,263) | (14,024) |
| **CASH AND CASH EQUIVALENTS AT 1 APRIL** | | 17,471 | 31,495 |
| **CASH AND CASH EQUIVALENTS AT 31 MARCH** | | 16,208 | 17,471 |

The accompanying notes form part of these financial statements.

# Association Statement of Comprehensive Income

**For the year ended 31 March 2023**

| | Note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **TURNOVER** | 4 | 43,383 | 36,343 |
| Operating expenditure | 4 | (38,117) | (31,164) |
| Gain on revaluation of investment property | 4 | 76 | 175 |
| Gain on sale of property, plant and equipment | 8 | 3,606 | 2,013 |
| **OPERATING SURPLUS** | 4 | 8,948 | 7,367 |
| Interest receivable | 9 | 295 | 68 |
| Interest payable and financing costs | 10 | (4,948) | (4,354) |
| **SURPLUS FOR THE YEAR** | 5 | 4,295 | 3,081 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Actuarial (loss)/gain on pension schemes | 30 | (500) | 2,358 |
| **TOTAL COMPREHENSIVE INCOME** | | 3,795 | 5,439 |

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 25 September 2023 and were signed on its behalf by:

**Carmen Simpson**
Chair

**Gloria Yang**
Board Member

**Charlotte Spendley**
Secretary

# Association Statement of Changes in Reserves

**For the year ended 31 March 2023**

| | Revenue Reserve £000 | Revaluation Reserve £000 | Restricted Reserve £000 | Total £000 |
|---|---|---|---|---|
| **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 |
| Surplus for the year | 4,295 | - | - | 4,295 |
| Actuarial (loss) | (500) | - | - | (500) |
| Transfer between reserves | (2,868) | (167) | 3,035 | - |
| **Balance at 31 March 2023** | 107,062 | 48,857 | 4,679 | 160,598 |

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 2023**

| | | 2023 | 2022 |
|---|---|---|---|
| **FIXED ASSETS** | **Note** | **£000** | **£000** |
| Housing properties | 12 | 328,256 | 324,136 |
| Investment properties | 13 | 1,015 | 939 |
| Other fixed assets – intangible assets | 14 | 1,730 | 2,168 |
| Other fixed assets – tangible assets | 15 | 6,916 | 7,212 |
| Investment in subsidiary undertakings | 33 | 640 | 640 |
| | | 338,557 | 335,095 |
| **CURRENT ASSETS** | | | |
| Properties for sale | 16 | 75 | - |
| Stock | 17 | 4 | 1 |
| Trade and other debtors | 18 | 6,905 | 5,057 |
| Cash and cash equivalents | 19 | 15,901 | 16,732 |
| | | 22,885 | 21,790 |
| Pension asset | 30 | 1,284 | 1,722 |
| **CREDITORS:** Amounts falling due within one year | 20 | (20,315) | (19,834) |
| **NET CURRENT ASSETS** | | 3,854 | 3,678 |
| **CREDITORS:** Amounts falling due in more than one year | 21 | (180,934) | (181,058) |
| Pension liability | 30 | (875) | (908) |
| **NET ASSETS** | | 160,602 | 156,807 |
| **CAPITAL AND RESERVES** | | | |
| Non-equity share capital | 24 | 4 | 4 |
| Revenue reserve | | 107,062 | 106,135 |
| Revaluation reserve | | 48,857 | 49,024 |
| Restricted reserve | | 4,679 | 1,644 |
| | | 160,602 | 156,807 |

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 25 September 2023 and were signed on its behalf by:

| | | |
|---|---|---|
| **Carmen Simpson** | **Gloria Yang** | **Charlotte Spendley** |
| Chair | Board Member | Secretary |

# Notes to the Financial Statements

**For the year ended 31 March 2023**

## 1 Statutory Information

Phoenix is incorporated in England 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. The registered office is The Green Man, 355 Bromley Road, London, SE6 2RP.

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), the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008, the Housing Statement of Recommended Practice 2018, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

As a public benefit entity, Phoenix has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

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 June 2023 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 2023/24 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 FRS 102 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

**(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 Statement of Comprehensive Income.

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) 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.

**(p) 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.

**(q) Investments**

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

**(r) 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.

**(r) 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.

**(s) 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.

**(t) 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 FRS 102 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 2023. 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** — **2023**

| | Turnover | Cost of Sales | Operating Costs | Other Income | Operating Surplus/ (Deficit) |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Social housing lettings (note 4b) | 40,279 | - | (35,077) | - | 5,202 |
| First tranche Low cost home ownership property sales | - | - | - | - | - |
| Development costs | - | - | (665) | - | (665) |
| Other social housing activities | 1,069 | - | (305) | - | 764 |
| | 41,348 | - | (36,047) | - | 5,301 |
| **Activities other than social housing activities** | | | | | |
| Leaseholders | 1,248 | - | (1,464) | - | (216) |
| Other income | 371 | - | (240) | - | 131 |
| | 1,619 | - | (1,704) | - | (85) |
| (Loss) on revaluation of investment property | - | - | - | 76 | 76 |
| Gain on disposal of property | - | - | - | 3,606 | 3,606 |
| | 42,967 | - | (37,751) | 3,682 | 8,898 |

**Group 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 | - | (28,144) | - | 5,483 |
| First tranche Low cost home ownership property sales | 89 | (79) | - | - | 10 |
| Development costs | - | - | (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 |
| | 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 |

# 4 Turnover, Operating Costs and Operating Surplus (continued)

**(a) Association particulars of turnover, operating costs and operating surplus** — **2023**

| | Turnover | Cost of Sales | Operating Costs | Other Income | Operating Surplus/ (Deficit) |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Social housing lettings (note 4b) | 40,279 | - | (35,035) | - | 5,244 |
| First tranche Low cost home ownership property sales | - | - | - | - | - |
| Development costs | - | - | (665) | - | (665) |
| Other social housing activities | 1,554 | - | (790) | | 764 |
| | 41,833 | - | (36,490) | - | 5,343 |
| **Activities other than social housing activities** | | | | | |
| Leaseholders | 1,248 | - | (1,464) | - | (216) |
| Other income | 302 | - | (163) | - | 139 |
| | 1,550 | - | (1,627) | - | (77) |
| (Loss) on revaluation of investment property | - | - | - | 76 | 76 |
| Gain on disposal of property | - | - | - | 3,606 | 3,606 |
| | 43,383 | - | (38,117) | 3,682 | 8,948 |

**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 |
| First tranche Low cost home ownership 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 |
| | 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 |

## 4 Turnover, Operating Costs and Operating Surplus (continued)

| **(b) Group particulars of turnover and operating expenditure from social housing lettings** | **General Needs 2023 £000** | **Supported Housing 2023 £000** | **Shared Ownership 2023 £000** | **Total 2023 £000** | **Total 2022 £000** |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Rent receivable net of identifiable service charges | 37,090 | 515 | 146 | 37,751 | 31,774 |
| Service charge income | 1,981 | 304 | 20 | 2,305 | 1,747 |
| Amortised government grant | 163 | 58 | 2 | 223 | 106 |
| **Turnover from social housing lettings** | **39,234** | **877** | **168** | **40,279** | **33,627** |
| **Operating expenditure** | | | | | |
| Management | 6,920 | 107 | 10 | 7,037 | 6,165 |
| Service charge costs | 3,092 | 256 | 20 | 3,368 | 2,966 |
| Routine maintenance | 10,659 | 50 | 3 | 10,712 | 8,725 |
| Planned maintenance | 4,358 | 107 | - | 4,465 | 3,160 |
| Major repairs expenditure | 2,173 | - | - | 2,173 | 1,367 |
| Bad debts | 177 | - | - | 177 | 227 |
| Depreciation of housing properties | 5,422 | 203 | 22 | 5,647 | 4,622 |
| Impairment of housing properties | 214 | - | - | 214 | (42) |
| Other costs | 1,284 | - | - | 1,284 | 954 |
| **Operating expenditure on social housing lettings** | **34,299** | **723** | **55** | **35,077** | **28,144** |
| **Operating surplus on social housing lettings** | **4,935** | **154** | **113** | **5,202** | **5,483** |
| **Void losses (being rental income lost as a result of property not being let, although it is available for letting)** | **190** | **37** | **-** | **227** | **292** |

## 4 Turnover, Operating Costs and Operating Surplus (continued)

| (b) Association particulars of turnover and operating expenditure from social housing lettings | General Needs 2023 £000 | Supported Housing 2023 £000 | Shared Ownership 2023 £000 | Total 2023 £000 | Total 2022 £000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Rent receivable net of identifiable service charges | 37,090 | 515 | 146 | 37,751 | 31,774 |
| Service charge income | 1,981 | 304 | 20 | 2,305 | 1,747 |
| Amortised government grant | 163 | 58 | 2 | 223 | 106 |
| **Turnover from social housing lettings** | **39,234** | **877** | **168** | **40,279** | **33,627** |
| **Operating expenditure** | | | | | |
| Management | 6,920 | 107 | 10 | 7,037 | 6,165 |
| Service charge costs | 3,092 | 256 | 20 | 3,368 | 2,966 |
| Routine maintenance | 10,617 | 50 | 3 | 10,670 | 8,705 |
| Planned maintenance | 4,358 | 107 | - | 4,465 | 3,160 |
| Major repairs expenditure | 2,173 | - | - | 2,173 | 1,367 |
| Bad debts | 177 | - | - | 177 | 227 |
| Depreciation of housing properties | 5,422 | 203 | 22 | 5,647 | 4,622 |
| Impairment of housing properties | 214 | - | - | 214 | (42) |
| Other costs | 1,284 | - | - | 1,284 | 954 |
| **Operating expenditure on social housing lettings** | **34,257** | **723** | **55** | **35,035** | **28,124** |
| **Operating surplus on social housing lettings** | **4,977** | **154** | **113** | **5,244** | **5,503** |
| **Void losses (being rental income lost as a result of property not being let, although it is available for letting)** | **190** | **37** | **-** | **227** | **292** |

## 5 Surplus for the Year – Group and Association

| **Group** | **2023 £000** | **2022 £000** |
|---|---|---|
| The surplus on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of housing properties | 5,647 | 4,622 |
| Impairment of housing properties | 214 | (42) |
| Depreciation of other fixed assets | 296 | 302 |
| Amortisation of intangible fixed assets | 931 | 714 |
| Amortisation of government grant | (137) | (106) |
| External auditor's remuneration (excluding VAT and expenses): | | |
| - in their capacity as auditor | 60 | 50 |
| - for other services | 3 | 7 |
| Operating lease rentals | 5 | 5 |

| **Association** | **2023 £000** | **2022 £000** |
|---|---|---|
| The surplus on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of housing properties | 5,647 | 4,622 |
| Impairment of housing properties | 214 | (42) |
| Depreciation of other fixed assets | 283 | 292 |
| Amortisation of intangible fixed assets | 931 | 714 |
| Amortisation of government grant | (137) | (106) |
| External auditor's remuneration (excluding VAT and expenses): | | |
| - in their capacity as auditor | 48 | 42 |
| - for other services | 3 | 7 |
| Operating lease rentals | 5 | 5 |

## 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: none).

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Aggregate emoluments payable to directors (including pension contributions and benefits in kind) | 752 | 776 |
| Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind) | 160 | 157 |
| Expenses paid during the year to Board Members | - | - |

Aggregate emoluments in 2022 include both the former Chief Executive who retired during that year and the current Chief Executive.

The current 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 current Chief Executive were £9,539 (2022: £1,143) in the year. Pension contributions paid to the pension fund for the former Chief Executive were £nil in the year (2022: £9,006). 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:

| | | | 2023<br>Number | 2022<br>Number |
|---|---|---|---|---|
| £60,001 | to | £70,000 | 19 | 15 |
| £70,001 | to | £80,000 | 2 | 4 |
| £80,001 | to | £90,000 | 7 | 5 |
| £90,001 | to | £100,000 | 1 | 1 |
| £100,001 | to | £110,000 | 2 | 2 |
| £110,001 | to | £120,000 | - | - |
| £120,001 | to | £130,000 | 2 | 1 |
| £130,001 | to | £140,000 | - | 2 |
| £140,001 | to | £150,000 | - | - |
| £150,001 | to | £160,000 | 1 | - |
| £160,001 | to | £170,000 | 1 | 1 |

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

## 7 Employee Information

**Group**

The average number of full-time equivalent persons (based on 36 hour week), including the Executives (excluding the Board), employed during the year to 31 March 2023:

| | **2023 Number** | **2022 Number** |
|---|---|---|
| Office staff | 187 | 179 |
| Caretakers and estates staff | 36 | 28 |
| Maintenance | 42 | 52 |
| | 265 | 259 |

| | **2023 £000** | **2022 £000** |
|---|---|---|
| Staff costs (for the above persons): | | |
| Wages and salaries | 10,745 | 10,343 |
| Social security costs | 1,157 | 1,013 |
| Pension costs | 1,139 | 1,216 |
| | 13,041 | 12,572 |

**Association**

The average number of full-time equivalent persons (based on 36 hour week), including the Executives (excluding the Board), employed during the year to 31 March 2023:

| | **2023 Number** | **2022 Number** |
|---|---|---|
| Office staff | 162 | 162 |
| Caretakers and estates staff | 36 | 28 |
| | 198 | 190 |

| | **2023 £000** | **2022 £000** |
|---|---|---|
| Staff costs (for the above persons): | | |
| Wages and salaries | 7,913 | 7,645 |
| Social security costs | 848 | 735 |
| Pension costs | 804 | 873 |
| | 9,565 | 9,253 |

## 8 Gain on Sale of Property, Plant and Equipment

| Group and Association | 2023 £000 | 2022 £000 |
|---|---|---|
| Disposal proceeds | 4,723 | 2,492 |
| Less: cost of sales | (1,117) | (479) |
| | 3,606 | 2,013 |

## 9 Interest Receivable

| Group | 2023 £000 | 2022 £000 |
|---|---|---|
| Net interest on defined benefit pension asset | 118 | 2 |
| From bank deposits | 204 | 68 |
| | 322 | 70 |

| Association | 2023 £000 | 2022 £000 |
|---|---|---|
| Net interest on defined benefit pension asset | 91 | - |
| From bank deposits | 204 | 68 |
| | 295 | 68 |

## 10 Interest Payable and Financing Costs

| Group and Association | 2023 £000 | 2022 £000 |
|---|---|---|
| On housing loans | 5,477 | 4,680 |
| Amortisation of loan arrangement fees | 24 | 29 |
| Break costs on early repayment of debt | 87 | 177 |
| Net interest on defined benefit pension liability | - | 32 |
| Less: capitalised interest | (640) | (564) |
| | 4,948 | 4,354 |

## 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 £1,000 of tax recognised in the statement of income represents current and prior year corporation tax of £20,000 offset by a credit for deferred tax of £19,000 (2022: credit £3,000) for Phoenix Agency Services.

## 12 Tangible Fixed Assets – Housing Properties

| Group and Association | Completed held for letting £000 | Under construction £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2022 | 326,095 | 26,716 | 352,811 |
| Additions | 6,239 | 4,611 | 10,850 |
| Reclassification | - | - | - |
| Transfer | - | - | - |
| Disposals | (1,201) | - | (1,201) |
| **At 31 March 2023** | **331,133** | **31,327** | **362,460** |
| **Depreciation** | | | |
| At 1 April 2022 | 27,943 | - | 27,943 |
| Charge for period | 5,647 | - | 5,647 |
| Released on disposal | (332) | - | (332) |
| **At 31 March 2023** | **33,258** | **-** | **33,258** |
| **Impairment** | | | |
| At 1 April 2022 | 505 | 227 | 732 |
| Charge for period | - | 214 | 214 |
| **At 31 March 2023** | **505** | **441** | **946** |
| **Net book value** | | | |
| **At 31 March 2023** | **297,370** | **30,886** | **328,256** |
| **At 31 March 2022** | **297,647** | **26,489** | **324,136** |

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 are: i) £640,000 of capitalised interest (2022: £564,000), based on a capitalisation rate of 3.25% which is the weighted average rate applicable to the Group's borrowings during the year, and ii) £814,451 (2022: £966,065) of capitalisation of salary cost of staff for their time spent on housing development schemes. The current year impairment relates to five schemes under construction that have incurred costs, are delayed and may not be recoverable.

The Group and Association had properties with a net book value of £169.2million pledged as security for liabilities at 31 March 2023 (2022: £165.8 million)

| **Works to existing properties in the year:** | **2023 £000** | **2022 £000** |
|---|---|---|
| Components capitalised | 5,335 | 4,315 |
| Amounts charged to expenditure | 6,638 | 4,527 |

## 13 Investment Properties

| **Group and Association** | **£000** |
|---|---|
| **At 1 April 2022** | **939** |
| Revaluation | 76 |
| **At 31 March 2023** | **1,015** |

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, prepared in 2023. 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 9% (2022: 7%).

## 14 Other Fixed Assets – Intangible Assets

| **Group and Association** | **Computer software £000** |
|---|---|
| **Cost** | |
| At 1 April 2022 | 5,579 |
| Additions | 493 |
| Disposals | - |
| **At 31 March 2023** | **6,072** |
| **Amortisation** | |
| At 1 April 2022 | 3,411 |
| Charge for the period | 931 |
| Disposals | - |
| **At 31 March 2023** | **4,342** |
| **Net book value** | |
| **At 31 March 2023** | **1,730** |
| **At 31 March 2022** | **2,168** |

## 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 2022 | 7,970 | 24 | 1,305 | 796 | 10,095 |
| Additions | 47 | - | 44 | 56 | 147 |
| Disposals | - | - | - | (159) | (159) |
| **At 31 March 2023** | **8,017** | **24** | **1,349** | **693** | **10,083** |
| **Depreciation** | | | | | |
| At 1 April 2022 | 1,217 | 24 | 993 | 626 | 2,860 |
| Charge for period | 158 | - | 114 | 24 | 296 |
| Disposals | - | - | - | - | - |
| **At 31 March 2023** | **1,375** | **24** | **1,107** | **650** | **3,156** |
| **Net book value** | | | | | |
| **At 31 March 2023** | **6,642** | **-** | **242** | **43** | **6,927** |
| **At 31 March 2022** | **6,753** | **-** | **312** | **170** | **7,235** |

*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 2022 | 7,970 | 24 | 1,048 | 796 | 9,838 |
| Additions | 47 | - | 44 | 56 | 147 |
| Disposals | - | - | - | (159) | (159) |
| **At 31 March 2023** | **8,017** | **24** | **1,092** | **693** | **9,826** |
| **Depreciation** | | | | | |
| At 1 April 2022 | 1,217 | 24 | 759 | 626 | 2,626 |
| Charge for period | 158 | - | 101 | 25 | 284 |
| Disposals | - | - | - | - | - |
| **At 31 March 2023** | **1,375** | **24** | **860** | **651** | **2,910** |
| **Net book value** | | | | | |
| **At 31 March 2023** | **6,642** | **-** | **232** | **42** | **6,916** |
| **At 31 March 2022** | **6,753** | **-** | **289** | **170** | **7,212** |

*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** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Shared ownership properties under construction | 75 | - |

Capitalised interest included in the above is £4,000 (2022: £nil).

## 17 Stock and work in progress

| | **2023** | **2022** |
|---|---|---|
| | **£'000** | **£'000** |
| **Group** | | |
| Stock | 120 | 121 |
| **Association** | | |
| Stock | 4 | 1 |

## 18 Trade and Other Debtors

| **Group** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| **Due in more than one year** | | |
| Amount owed by leaseholders (gross balance) | 16 | 44 |
| Less net present value adjustments for repayment agreements | (3) | (7) |
| | 13 | 37 |
| **Due within one year** | | |
| Arrears of rent and service charges | 2,384 | 2,472 |
| Less provision for bad debts | (1,311) | (1,475) |
| | 1,073 | 997 |
| Amount owed by leaseholders | 135 | 198 |
| Other debtors | 1,978 | 899 |
| Input VAT reclaimable | 257 | 122 |
| Deferred tax | 82 | 63 |
| Cash in transit | 557 | 588 |
| Prepayments and accrued income | 2,696 | 2,119 |
| | 6,778 | 4,986 |
| **Total debtors** | **6,791** | **5,023** |

## 18 Trade and Other Debtors (continued)

| | 2023 | 2022 |
|---|---|---|
| **Association** | **£000** | **£000** |
| **Due in more than one year** | | |
| Amount owed by leaseholders (gross balance) | 16 | 44 |
| Less net present value adjustments for repayment agreements | (3) | (7) |
| | 13 | 37 |
| **Due within one year** | | |
| Arrears of rent and service charges | 2,384 | 2,472 |
| Less provision for bad debts | (1,311) | (1,475) |
| | 1,073 | 997 |
| Amount owed by leaseholders | 135 | 198 |
| Amount owed by subsidiary undertakings | 235 | 285 |
| Other debtors | 1,950 | 787 |
| Input VAT reclaimable | 257 | 122 |
| Cash in transit | 557 | 583 |
| Prepayments and accrued income | 2,685 | 2,048 |
| | 6,892 | 5,020 |
| **Total debtors** | **6,905** | **5,057** |

## 19 Cash and Cash Equivalents

| | 2023 | 2022 |
|---|---|---|
| **Group** | **£000** | **£000** |
| Cash and cash equivalents | 16,208 | 17,471 |
| **Association** | | |
| Cash and cash equivalents | 15,901 | 16,732 |

## 20 Creditors: Amounts falling due within one year

| **Group** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Housing loans due within one year | - | 5,000 |
| Rents prepaid | 2,300 | 2,524 |
| Trade creditors | 2,464 | 302 |
| Other taxes and social security costs | 324 | 323 |
| Corporation tax payable | 16 | - |
| VAT recovered payable to Lewisham Council | 139 | 108 |
| Other creditors and accruals | 5,180 | 7,856 |
| Sinking funds | 76 | 76 |
| Deferred income | 50 | 32 |
| Deferred income – unamortised government grant (see note 23) | 8,843 | 3,281 |
| | **19,392** | **19,502** |

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

| **Association** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Housing loans due within one year | - | 5,000 |
| Rents prepaid | 2,300 | 2,524 |
| Trade creditors | 1,970 | 227 |
| Amount due to subsidiary undertakings | 2,170 | 1,850 |
| Other taxes and social security costs | 229 | 242 |
| Sinking funds | 76 | 76 |
| VAT recovered payable to Lewisham Council | 139 | 108 |
| Other creditors and accruals | 4,538 | 6,494 |
| Deferred income | 50 | 32 |
| Deferred income – unamortised government grant (see note 23) | 8,843 | 3,281 |
| | **20,315** | **19,834** |

## 21 Creditors: Amounts falling due after more than one year

| **Group and Association** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Improvement works | 121 | 121 |
| Loans | 169,132 | 169,120 |
| Deferred income – unamortised capital grant (see note 23) | 11,681 | 11,817 |
| | **180,934** | **181,058** |

| **Group and Association** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Loans repayable other than by instalments as follows: | | |
| Within one year | - | 5,000 |
| In one to two years | - | - |
| In more than two years but not more than five years | 10,000 | 10,000 |
| In five years or more | 160,000 | 160,000 |
| Less transaction costs | (868) | (880) |
| | 169,132 | 174,120 |

In addition to the above debt, at 31 March 2023 Phoenix had undrawn loan facilities of £45 million (2022: £45 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 6.3% (2022: 2.3% to 6.3%)

## 22 Financial instruments

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

| **Group** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| **Financial assets** | | |
| *Measured at cost* | | |
| Cash and cash equivalents | 16,208 | 17,471 |
| *Measured at amortised cost* | | |
| Repayment agreements | 13 | 37 |
| Rent arrears and other receivables | 6,778 | 4,986 |
| | 22,999 | 22,494 |

| **Group** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| **Financial liabilities** | | |
| *Measured at amortised cost* | | |
| Loans | 169,132 | 174,120 |
| Trade and other creditors | 31,194 | 26,440 |
| | 200,326 | 200,560 |

| **Association** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| **Financial assets** | | |
| *Measured at cost* | | |
| Cash and cash equivalents | 15,901 | 16,732 |
| *Measured at amortised cost* | | |
| Repayment agreements | 13 | 37 |
| Amounts due from subsidiary undertakings | 235 | 285 |
| Rent arrears and other receivables | 6,657 | 4,735 |
| | 22,806 | 21,789 |

| **Association** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| **Financial liabilities** | | |
| *Measured at amortised cost* | | |
| Loans | 169,132 | 174,120 |
| Amounts owed to subsidiary undertakings | 2,170 | 1,850 |
| Trade and other creditors | 29,881 | 24,922 |
| | 201,183 | 200,892 |

## 23 Deferred Income – Capital Grant

| Group and Association | 2023 £000 | 2022 £000 |
|---|---|---|
| At 1 April | 15,098 | 11,478 |
| Grant received during the year | 5,563 | 3,726 |
| Released to income in the year | (137) | (106) |
| At 31 March | 20,524 | 15,098 |
| Amount due within one year | 8,843 | 3,281 |

The total accumulated grant received to 31 March 2023 was £67.9 million (2022: £62.3 million).

## 24 Share Capital – Non Equity

| | 2023 £ | 2022 £ |
|---|---|---|
| **£1 shares** | | |
| At 1 April | 3,448 | 3,568 |
| Issued during the period | 47 | 16 |
| Cancelled during the period | (120) | (136) |
| At 31 March | 3,375 | 3,448 |

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 | 2023 £000 | 2022 £000 |
|---|---|---|
| Capital expenditure that has been contracted for | 21,138 | 16,631 |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for | 56,389 | 27,375 |
| Capital expenditure included in the financial plan that has not yet been authorised by the Board | 178,102 | 95,675 |
| | 255,629 | 139,681 |

Phoenix expects to finance the above expenditure by:

| | | |
|---|---|---|
| Grant funding | 27,788 | 40,944 |
| Sale proceeds including first tranche sales of shared ownership | 4,125 | 6,213 |
| Loan facilities and cash | 40,965 | 67,028 |
| Operating cash surpluses | 182,751 | 25,496 |
| | 255,629 | 139,681 |

## 26 Cash Flow from Operating Activities

| | Year ended 31 March 2023 £000 | Year ended 31 March 2022 £000 |
|---|---|---|
| Operating surplus for the year | 8,898 | 7,347 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 5,942 | 4,924 |
| Impairment of tangible fixed assets | 214 | (42) |
| Amortisation of intangible assets | 931 | 714 |
| (Increase) in fair value of investment property | (76) | (175) |
| Decrease/(Increase) in stock | 1 | (1) |
| (Increase)/decrease in properties for sale | (75) | 79 |
| (Increase) in trade and other debtors | (1,664) | (1,657) |
| Increase in trade and other creditors | 1,460 | 1,365 |
| Pension costs less contributions payable | 110 | 588 |
| Amortisation of grant | (137) | (106) |
| Cost of sales | 869 | 390 |
| Net cash flow from operating activities | 16,473 | 13,426 |

## 27 Analysis of Changes in Net Debt

| | At 1 April 2022 £000 | Cash flows £000 | At 31 March 2023 £000 |
|---|---|---|---|
| Cash and cash equivalents | 17,471 | (1,263) | 16,208 |
| Debt due within one year | (5,000) | 5,000 | - |
| Debt due after more than one year | (170,000) | - | (170,000) |
| **Net debt** | (157,529) | 3,737 | (153,792) |

## 28 Operating Leases

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

**Amounts payable as lessee**

| Group and Association | 2023 Land and Buildings £000 | 2022 Land and Buildings £000 |
|---|---|---|
| Operating leases which expire: | | |
| Within one year | - | 5 |
| In one to five years | 10 | - |
| Later than five years | - | - |
| | 10 | 5 |

**Amounts receivable as lessor**

| Group and Association | 2023 Land and Buildings £000 | 2022 Land and Buildings £000 |
|---|---|---|
| Operating leases which expire: | | |
| Within one year | 13 | - |
| In one to five years | 44 | 179 |
| Later than five years | 2,240 | 772 |
| | 2,297 | 951 |

## 29 Units Owned and Under Management

| Group and Association | 2023 Number | 2022 Number |
|---|---|---|
| General needs housing accommodation at 1 April | 6,438 | 5,358 |
| Additions | 2 | 1,092 |
| Less freehold sales | (13) | (7) |
| Less leasehold sales | (6) | (4) |
| Less demolished | (15) | (1) |
| General needs properties for rent at 31 March | 6,406 | 6,438 |
| Temporary social housing at 31 March | 2 | 2 |
| Supported housing at 31 March | 60 | 60 |
| Intermediate rent at 31 March | 2 | 1 |
| Market rent at 31 March | 1 | 1 |

## 29 Units Owned or Under Management (continued)

| | | |
|---|---|---|
| Shared ownership at 1 April | 31 | 8 |
| Additions | - | 23 |
| At 31 March | 31 | 31 |
| Total freehold at 31 March | 6,502 | 6,533 |
| Leaseholders at 31 March | 1,188 | 1,182 |
| Total units at 31 March | 7,690 | 7,715 |

Phoenix does not directly provide support services. Phoenix paid for the Linkline community alarm service for 41 tenants (2022: 47). The service provider, Linkline, is part of Lewisham Council Community Services directorate. The weekly charge was £6.41 (2022: £6.25). 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. Following the Grove Park transfer, Phoenix contributes to the running costs of two Linkline schemes at a cost of £15,333 in 2022/23 (£5,175 in 2021/22).

## 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 triennial actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2022 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 2023 were as follows:

| | **2023** | **2022** |
|---|---|---|
| | **% pa** | **% pa** |
| Pension increases | 3.00 | 3.20 |
| Salary increases | 3.50 | 3.70 |
| Discount rate | 4.75 | 2.70 |

***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 | 21.7 years | 24.3 years |
| Future Pensioners | 22.5 years | 26.0 years |

## 30 Pensions

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

***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 2023 | 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% |

**(a)**

| **Amounts recognised in the Statement of Comprehensive Income** | **2023 £000** | **2022 £000** |
|---|---|---|
| Current service cost | 609 | 634 |
| Past service cost | - | - |
| Net interest (income)/cost | (139) | (14) |
| Total | 470 | 620 |
| (Gain) recognised in other comprehensive income | (7,135) | (4,833) |
| Effects of changes in the amount of surplus that is not recoverable | 7,565 | 2,670 |
| | 430 | (2,163) |
| Deferred tax credit)/charge on actuarial gain/loss | (27) | 175 |
| Actuarial loss/(gain) | 403 | (1,988) |
| **Total loss/(gain) relating to defined benefit scheme** | **873** | **(1,368)** |

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

| | **2023 £000** | **2022 £000** |
|---|---|---|
| Present value of defined benefit obligations | (23,971) | (33,036) |
| Fair value of scheme assets | 36,206 | 38,376 |
| Surplus | 12,235 | 5,340 |
| Effects of changes in the amount of surplus that is not recoverable | (10,234) | (2,670) |
| | 2,001 | 2,670 |
| Deferred tax liability | (223) | (250) |
| **Net pension scheme asset** | **1,778** | **2,420** |

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

| **Reconciliation of defined benefit obligation** | **2023 £000** | **2022 £000** |
|---|---|---|
| Opening defined benefit obligation | 33,036 | 34,529 |
| Current service cost | 609 | 634 |
| Interest cost | 892 | 691 |
| Contribution by members | 104 | 94 |
| Actuarial (gain)/loss | (10,002) | (2,277) |
| Past service cost | - | - |
| Benefits paid | (668) | (635) |
| **Closing defined benefit obligation** | **23,971** | **33,036** |

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

| **Reconciliation of fair value of employer assets** | **2023 £000** | **2022 £000** |
|---|---|---|
| Opening fair value of employer assets | 38,376 | 35,438 |
| Return on plan assets | 1,031 | 705 |
| Contributions by members | 104 | 94 |
| Contributions by employer | 230 | 218 |
| Actuarial gain | (2,867) | 2,556 |
| Benefits paid | (668) | (635) |
| **Closing fair value of employer assets** | **36,206** | **38,376** |

**(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.

| | **2023 £000** | **2022 £000** |
|---|---|---|
| Equities | 24,258 | 24,561 |
| Bonds | 6,879 | 8,443 |
| Property | 3,621 | 3,454 |
| Cash | 1,448 | 1,918 |
| **Total** | **36,206** | **38,376** |

Phoenix Community Housing is unlikely to have an unconditional right to any refund from the scheme. Therefore, the maximum amount of recognisable surplus for FRS 102 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.

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

The most recent triennial actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2022 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 2023 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** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Current service cost | 388 | 404 |
| Past service cost | - | - |
| Net interest income | (112) | (12) |
| Total | 276 | 392 |
| (Gain) recognised in other comprehensive income | (5,485) | (3,822) |
| Effects of changes in the amount of surplus that is not recoverable | 5,770 | 2,580 |
| Actuarial gain/(loss) | 285 | (1,242) |
| **Total loss/(gain)relating to defined benefit scheme** | **561** | **(850)** |

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

| | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Present value of defined benefit obligations | (18,643) | (25,663) |
| Fair value of scheme assets | 28,277 | 29,965 |
| Surplus | **9,634** | **4,302** |
| Effects of changes in the amount of surplus that is not recoverable | (8,350) | (2,580) |
| **Net pension scheme asset** | **1,284** | **1,722** |

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

| **Reconciliation of defined benefit obligation** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Opening defined benefit obligation | 25,663 | 26,956 |
| Current service cost | 388 | 404 |
| Interest cost | 691 | 539 |
| Contribution by members | 67 | 60 |
| Actuarial (gain) | (7,594) | (1,825) |
| Past service cost | - | - |
| Benefits paid | (572) | (471) |
| **Closing defined benefit obligation** | **18,643** | **25,663** |

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

| **Reconciliation of fair value of employer assets** | **2023** | **2022** |
|---|---|---|
| | **£000** | **£000** |
| Opening fair value of employer assets | 29,965 | 27,711 |
| Return on plan assets | 803 | 551 |
| Contributions by members | 67 | 60 |
| Contributions by employer | 123 | 117 |
| Actuarial (loss)/gain | (2,109) | 1,997 |
| Benefits paid | (572) | (471) |
| **Closing fair value of employer assets** | **28,277** | **29,965** |

## 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.

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Equities | 18,945 | 19,178 |
| Bonds | 5,373 | 6,592 |
| Property | 2,828 | 2,697 |
| Cash | 1,131 | 1,498 |
| **Total** | **28,277** | **29,965** |

The contribution rate of Phoenix for the year ended 31 March 2023 was 14.4% (2022: 14.4%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2022: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2024 are estimated to be £123,000.

### (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 2023 were as follows:

| | 2023<br>% pa | 2022<br>% pa |
|---|---|---|
| Discount rate | 4.83 | 2.77 |
| Inflation (CPI) | 2.81 | 3.12 |
| Salary growth | 3.81 | 4.12 |
| 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 2023 imply the following life expectancies:

| | Life expectancy at age 65 (years) |
|---|---|
| Male retiring in 2023 | 21.0 |
| Female retiring in 2023 | 23.4 |
| Male retiring in 2043 | 22.2 |
| Female retiring in 2043 | 24.9 |

**Amounts recognised in statement of comprehensive income**

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Current service cost | 195 | 326 |
| Expenses | 6 | 6 |
| Net interest expense | 21 | 44 |
| **Defined benefit costs recognised in statement of comprehensive income** | **222** | **376** |

**Defined benefit costs recognised in other comprehensive income**

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Experience on plan assets (excluding amounts included in net interest cost) – (loss)/gain | (3,331) | 710 |
| Experience gains and losses arising on the plan liabilities – gain/(loss) | 507 | (499) |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss) | 8 | 101 |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss) | 2,601 | 804 |
| Total actuarial gains and losses – (loss)/gain | (215) | 1,116 |
| Effects of changes in the amount of surplus that is not recoverable | | - |
| **Total amount recognised in other comprehensive income – (loss)/gain** | **(215)** | **1,116** |

| **Present values of defined benefit obligation and fair value of assets** | **2023 £'000** | **2022 £000** |
|---|---|---|
| Fair value of plan assets | **3,774** | 6,569 |
| Present value of defined benefit obligation | **(4,649)** | (7,477) |
| Defined benefit liability to be recognised | **(875)** | (908) |
| Deferred tax | **-** | - |
| **Net defined benefit liability to be recognised** | **(875)** | **(908)** |

## 30 Pensions (continued)

### (c) Social Housing Pension Scheme (continued)

**Reconciliation of defined benefit obligation**

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Defined benefit obligation at start of period | 7,477 | 7,245 |
| Current service cost | 195 | 326 |
| Expenses | 6 | 6 |
| Interest expense | 208 | 166 |
| Contributions by plan participants | 52 | 159 |
| Actuarial (gain)/loss due to scheme experience | (507) | 499 |
| Actuarial (gain)/loss due to changes in demographic assumptions | (8) | (101) |
| Actuarial (gain)/loss due to changes in financial assumptions | (2,601) | (804) |
| Benefits paid and expenses | (173) | (19) |
| **Defined benefit obligation at end of period** | **4,649** | **7,477** |

**Reconciliation of fair value of plan assets**

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Fair value of plan assets at start of period | 6,569 | 5,290 |
| Interest income | 187 | 122 |
| Experience on plan assets – (loss)/gain | (3,331) | 710 |
| Contributions by the employer | 470 | 307 |
| Contributions by plan participants | 52 | 159 |
| Benefits paid and expenses | (173) | (19) |
| **Fair value of plan assets at end of period** | **3,774** | **6,569** |

***Fair value of plan assets***

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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Equities | 374 | 2,195 |
| Bonds | 2,655 | 3,520 |
| Property | 708 | 814 |
| Cash | 37 | 40 |
| | **3,774** | **6,569** |

## 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 2023, six of the Association's Board members were Phoenix residents. Two other resident Board members resigned during the year. The tenancies and leases of the resident Board members 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:

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Rent and service charges charged | 30,235 | 23,007 |
| Credit balances at the end of the period | (2,006) | (1,839) |
| Doubtful debt provision | (78) | Nil |

The doubtful debt relates to one Board member who had arrears between 4 and 13 weeks triggering a 10% provision.

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 up to the date they resigned their employment was £4,600 (2022: £54,243).

**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 £133,000 (2022: £291,000), including the Local Authority's share of the VAT shelter £38,000 (2022: £177,000). The total amount due to the Local Authority at 31 March 2023 was £161,000 (2022: £116,000).

**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 £13,041,000 (2022: £10,512,000). 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

## 31 Related Party Transactions (continued)

2022/23 to that used in prior years. Total amounts recharged were £491,000 (2022: £486,000). The net amount due to Phoenix Agency Services at 31 March 2023 was £1,960,000 (2022: due to subsidiary £1,572,000). 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 £33,000 (2022: £26,000). Phoenix also provides corporate services to Home Makers. Total amounts recharged were £12,000 (2022: £12,000). The net amount due from Home Makers at 31 March 2023 was £25,000 (2022: due from Home Makers £13,000). The transactions between Phoenix and Home Makers (which is not registered with the Regulator) were eliminated on consolidation.

**Pension schemes**

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

## 32 Contingent Liabilities

**Counter indemnity and parent guarantee**

The Council as the Administering Authority of the London Borough of Lewisham pension scheme agreed to Phoenix Agency Services being an admitted body to the scheme, subject to a bond (value £465,500) and parent guarantee (up to £465,500) being provided in favour of the scheme. Phoenix has agreed to provide the parent guarantee and a counter indemnity in favour of the bond provider. The guarantee or counter indemnity will only be called upon if the subsidiary is unable to meet its obligations to the pension scheme.

**SHPS Defined Benefit Scheme - Scheme Benefit Review**

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this

## 33 Subsidiary Undertakings

Phoenix has the following investments in subsidiary undertakings, both of which are incorporated in England:

| | Proportion of ordinary share capital | Investment 2023 £000 | Net Assets £000 | Investment 2022 £000 | Net Assets £000 |
|---|---|---|---|---|---|
| Phoenix Agency Services | 100% | 600 | 1,746 | 600 | 1,879 |
| Home Makers The Property People | 100% | 40 | (6) | 40 | 2 |
| | | 640 | 1,740 | 640 | 1,881 |

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.