



Board Report and Financial Statements

**Year ended
31 March 2014**

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Board Members, Executive and Advisors

| | |
|----------------------|----------------------------------|
| Board members | Pat Fordham, Chair, MBE |
| | David Cummins, Vice Chair |
| | Paul Bloss |
| | Pat Crawford |
| | Councillor Janet Daby |
| | Kevin Donnelly |
| | Anne McGurk (from November 2013) |
| | Councillor Alan Hall |
| | Andrew Harmer |
| | Stephen Howlett |
| | Peter Lewis (from April 2013) |
| | Margaret McCarthy |
| | Phil Newsam |
| | Jay Clahar (from November 2013) |

The following Board members also served during the period:

Councillor Julia Fletcher (to June 2014)
Jane Duffy (to July 2013)
Richard O'Mahoney (to June 2013)

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| Executive | Jim Ripley, Chief Executive |
| | Nick Edwards, Assistant Director of IT & Facilities |
| | Ron Houston, Interim Director of Gateway (to October 2013) |
| | Jim Mack, Interim Director of Asset Management (to April 2014) |
| | Pria Rai, Director of People Services |
| | Chris Starke, Director of Finance |
| | David Westworth, Director of Customer Services |
| | Andrea Lowman, Director of Property and New Business (from April 2014) |

| | |
|------------------|--------------|
| Secretary | Chris Starke |
|------------------|--------------|

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|--------------------------|------------------|
| Registered Office | The Green Man |
| | 355 Bromley Road |
| | London |
| | SE6 2RP |

Phoenix Community Housing
Board Members, Executive and Advisors (continued)

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

Auditors Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London
EC2R 6AY

Solicitors Trowers & Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Status Phoenix Community Housing Association (Bellingham and Downham) Limited has charitable status. It is an Industrial and Provident Society (registration number IP30057R) and is registered with the Homes and Communities Agency (registration number L4505).

Board Report

The Board presents the consolidated financial statements for the year ended 31 March 2014.

Principal Activity

Phoenix Community Housing's principal activities are to effectively manage, maintain and develop homes and to improve and regenerate its estates in Downham, Bellingham and Whitefoot in Lewisham.

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

Phoenix is the first Housing Association in London to use the Community Gateway approach, which empowers tenants and leaseholders to take a central part in decision-making and to become shareholding members. Tenants and leaseholders elected by members are the largest group on the Board.

Phoenix aims for residents to take a lead in the area and supports local community initiatives to improve the environment and quality of life for all residents. Everyone is included: young, old, able-bodied or disabled, in work or not, carers and those studying or looking for training or employment, homeowners, tenants and leaseholders and speakers of all languages.

Corporate Governance

Phoenix is governed by a Board of 15 non-executive members comprising 7 resident board members, 3 Council board members and 5 independent board members. Resident board members are elected by a ballot of members. Council board members are appointed by the London Borough of Lewisham. These non-executive members are responsible for the overall direction of Phoenix. The Chair of the Board is a tenant. During the year the Board was supported by three sub-committees as set out below.

The Audit Committee is responsible for appointing and monitoring the work of internal audit, consideration of the external audit management letter and reviewing the effectiveness of the risk management framework and system of internal controls. It receives reports on internal controls and recommendations for improvement from both internal and external auditors, together with Executive Officers' responses thereto. Executive management attend meetings as requested and the Committee meets privately with the internal and external auditors at least once a year. The Committee membership includes one independent who is not a member of the Board.

The Human Resources and Remuneration Sub-Committee is responsible for considering changes to organisational structures, the review of terms and conditions of employment and overseeing all remuneration policies. The Board is responsible for approving the remuneration strategy, the remuneration of the Chief Executive and overseeing the Board appraisal framework.

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

Phoenix Community Housing Board Report (continued)

Following a review of the Community Empowerment Strategy in 2012/13, the Board agreed to ballot residents on the creation of three new 'Community Links', with the intention of improving the opportunities for residents to become involved and access to a total budget of £100,000 per year over 5 years to spend on the local community, to replace the previous 12 Local Area Panels. Over 1,700 residents voted of which 88% were in favour of the proposals and the Community Links were set up in November 2013.

A joint resident and officer task group was formed to develop proposals for how the Community Links and 'community chest' funding would work and the implications for the Phoenix Residents Group (PRG). Following consideration of the report from the task group, the Board agreed to dissolve the PRG and establish a new Gateway Committee, which is expected to be operational in October 2014.

The new Gateway Committee will provide a sounding board and forum for discussion on specific Phoenix proposals and activities, and will have a key role in assisting in the development of succession for resident members to the Board. Membership of the Gateway Committee will be drawn from a wide range of groups, including the Community Links, tenant and leaseholder shareholders, resident Board members and a member of staff, recognising that staff play a vital role in delivering services and are keen to work with residents in owning the strategic direction they take. The terms of reference and membership for a new scrutiny panel of residents were approved by the Board in November 2013. Residents have been recruited to the panel and training provided. During the year the Performance Monitoring and Policy Working Groups of the former PRG have continued to meet to review performance in specific service areas and review and comment on proposed policies prior to consideration by the Board.

Day to day management of the Association is delegated to the Executive Management Team. The Association's Board and Executive Officers are listed on page 1 of this report. The Executive Officers hold no interest in the Association's share capital, and although they do not have the legal status of Directors, they act as executives within the authority delegated by the Board.

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

The Association observes best practice with regards to corporate governance and complies with the recommendations in the National Housing Federation code of governance, with the following exceptions:

| | |
|---|---|
| Size of Board should be no more than 12 | Currently the Board comprises 15 members. The Board has agreed to reduce the size of the Board to 12 now that the transfer promises have been met and a resolution to this effect will be put to the 2014 Annual General Meeting. |
| Board members should be selected | Resident Board members are elected by shareholders. The Board has agreed to introduce a selection process for residents who want to become Board members to approve candidates who can stand for election. Lewisham Council nominates 3 members to the Board in accordance with the Transfer Agreement. |

Phoenix Community Housing Board Report (continued)

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| The maximum term of office for any Board member is nine years | The Board has agreed that no member can stand for election if at the time of such election they have already served nine years as a Board member. In practice this means that it is possible for a member to serve up to 11 years. |
|---|--|

Operating and Financial Review

Description of Operations

Phoenix currently owns and manages 5,427 tenanted properties and 823 leasehold properties in the Bellingham, Downham and Whitefoot areas of Lewisham in South East London. Phoenix is investing over £150 million in the housing stock funded by £46 million of 'gap' funding from the Department for Communities and Local Government and a £70 million loan facility with Barclays Bank.

This major works and improvement programme commenced in 2008 and all the housing stock has been brought up to the Phoenix standard (which exceeds the Government's Decent Homes Standard).

Objectives and Strategy

Phoenix's overarching vision is to work together to build a better future for the Phoenix community.

To support the delivery of this vision, the Board has set four strategic priorities:

1. Resident leadership and ownership

- Deliver our new Community Empowerment Strategy, involving more residents and acting on feedback and recommendations made.
- Make business and service improvements based on resident insight, feedback and scrutiny; good practice and changes to our operating and regulatory framework.
- Make our promises, expectations and plans for improvement clearer for homeowners.

2. People and Services

- Deliver our new Customer Access Strategy so we do what we say we will and meet individuals' needs.
- Set new priorities for Equality, Diversity and Community Integration (cohesion) to make sure we meet changing needs and help build sustainable communities in our area.
- Set a new ICT Strategy and complete our new Core Business System so we obtain efficiencies and Value for Money.

3. Homes and environments - opportunities for local people

- Deliver the project to set up a new responsive repairs service for 2015, which increases resident satisfaction and saves money.
- Deliver our Asset Management and Development Strategies and explore new business opportunities to improve our community and strengthen our business.
- Seek to maximise the positive impact on our community of our investment in assets, through attracting other investment and supporting and enabling our residents to make the most of their money and access employment.
- Develop the Green Man to enable other community projects and businesses to be set up that maximise the benefits to the community as well as value for money.

Phoenix Community Housing Board Report (continued)

4. Sustainability - doing the best with what we have got

- Maximise the value for money outcomes of all our work whilst maintaining our financial viability.
- Provide leadership and development across Phoenix to support the delivery of our overall objectives and to ensure how we work reflects our values.
- Deliver and refine our Communication Strategy so we celebrate our successes and raise our internal and external profile.
- Continue to maintain and improve our approach to health and safety.

Regulation

Housing associations and other social landlords (registered providers of social housing) must comply with a regulatory framework including national standards originally established by the Tenants Services Authority and now regulated by the Homes and Communities Agency (HCA).

The national standards are split into two sets: economic standards and consumer standards. The economic standards are:

- Governance and Financial Viability standard
- Value for Money standard
- Rent standard

The HCA publishes its assessment of providers compliance with the Governance and Financial Viability standard. The most recent regulatory assessment in May 2013 by the HCA confirmed that Phoenix met the requirements set out in this standard.

The consumer standards are:

- Tenant Involvement and Empowerment
- Home
- Tenancy
- Neighbourhood and Community

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

The Localism Act 2011 specifies the Regulator's role in, and its approach to, regulating the consumer standards. Providers' boards are responsible for ensuring their organisation meets the consumer standards. The HCA's role is limited to setting the consumer standards and intervening only where failure of the standard could lead to risk of serious harm to tenants (the serious detriment test).

As a Community Gateway, Phoenix is well placed to meet these standards and an annual report setting out our compliance with the standards is provided to residents and updates provided to the Board every six months. Following consultation with residents, the Board agreed the Phoenix Standards in March 2011. These represent the 'Local Offer' for the purpose of the HCA national standards. The promises made to tenants as part of the transfer from Lewisham Council form the core of the Local Offer supplemented by service standards agreed with tenants. Special standards for Leaseholders, "A fair deal for leaseholders", have also been developed and agreed by the Board.

Phoenix Community Housing Board Report (continued)

Phoenix has also developed additional standards in the following areas in response to what residents said they needed:

- For tenants who need Aids and Adaptations to make living at home easier.
- When lifts are replaced in blocks.
- For older tenants and tenants with support needs.

The Localism Act places an increased focus on resident satisfaction and complaints to the Ombudsman, Council members and Members of Parliament as a trigger for regulatory action. The Board has reviewed the complaints process and has agreed that complaints will be considered by Phoenix officers in a two stage process, following which a resident can take their complaint to an independent residents panel, or the designated person, if they are still not satisfied with the outcome.

Performance

Phoenix has completed the transfer promises set out in the offer document to residents. The Change Review Group, consisting of resident Board members and representatives from PRG, reviewed the evidence for completion of the promises. There were no significant areas of concern - but there were some elements to improve and actions were added to service improvement plans.

A large and accelerated improvement programme

Phoenix staff and tenants worked together to define a standard for the condition of homes - the Phoenix Standard - which reflects what most people thought should be in a 21st century home and community and is higher than the Government's minimum Decent Homes Standard.

The programme of major works and improvements to the housing properties continued during the year with total expenditure of £15.4 million to March 2014 principally on external works to properties, in line with the budget for the year.

The final gap funding towards the major works programme has been received in line with the agreement with the Department for Communities and Local Government at transfer.

Affordable rents guaranteed

Phoenix guaranteed that rents will not go up any more than they would if the Council had applied the Government's rent rules applicable to local authority stock at the time of transfer. Rents were increased in April 2013 by the retail prices index plus 0.5% plus up to £2 where rents were below the target rent originally set by the Council before the transfer, plus the 5% flexibility allowed under the rent standard.

Residents at the heart of decision making

Phoenix is a resident-focused organisation committed to genuinely involving residents in the running and development of services. All tenants and leaseholders are able to become members of Phoenix and help shape policy and key decisions. Following the review of the Community Empowerment Strategy, Phoenix is setting up a new Gateway Committee to provide a sounding board and forum for discussion on specific proposals and activities.

Tenants' rights

Phoenix continues to protect the key rights that tenants enjoyed when they were with the Council, including security of tenure, the right to buy and the right of succession.

Phoenix Community Housing Board Report (continued)

Action on anti-social behaviour

Phoenix has taken firm and immediate action to tackle anti-social behaviour, working in partnership with residents, the police and other partners to identify the causes of anti-social behaviour and develop ways to prevent it occurring.

More than just a landlord

Phoenix works in partnership with the Council and other agencies to improve the area and quality of life of people living and working there. The Green Man head office and community facility opened in November and includes a community café, a new branch office for the Lewisham Plus Credit Union and a training kitchen provided by Lewisham Council. During the year Phoenix employed six apprentices through the Mayor of Lewisham's apprenticeship scheme and partner contractors have employed 19 local people as trainees and apprentices.

Services for older and disabled tenants

Phoenix has a handyperson service to carry out minor repairs and adaptations to the homes of elderly, disabled or vulnerable residents. Residents can also access a gardening service provided by our grounds maintenance contractor. Minor adaptations for people with disabilities are carried out as part of the repairs service and an annual budget is set aside for major adaptations required to properties to meet residents' needs.

The repairs service

Phoenix is committed to providing a first-class repairs service, governed by a repairs policy that tenants are able to influence. Residents are involved in monitoring the day-to-day repairs service through the operational core group and inspections of void properties to ensure they meet the voids standard. The current repairs contract comes to an end in March 2015 and, following a repairs visioning exercise involving residents in shaping how the repairs service should be delivered, the Board has agreed to bring the management of the repairs service in-house from April 2015.

Community Empowerment Strategy

The Association is a Community Gateway whose members are all tenants and leaseholders. Membership of Phoenix at 31 March 2014 was 2,620.

Phoenix has a Community Empowerment Strategy which aims to ensure that its residents and communities become more involved in local decision making and have the opportunity to determine the future of their local communities. The Community Empowerment Strategy was reviewed during the year to improve the opportunities for residents to become involved. The strategy recognises that individuals should have the chance to maximise their potential, make a contribution to their community and aspire towards a better life. A key element of the revised strategy is the creation of three new 'Community Links', with access to a total budget of £100,000 per year over 5 years to spend on the local community, and the formation of a new Gateway Committee. The Gateway Committee will provide a key link between the Board, Community Links and shareholding members.

In addition to the promises to residents, Phoenix has a Corporate Plan which contains detailed objectives and actions to achieve the vision and strategic objectives. Progress against the Corporate Plan is monitored and reported to the Board every six months.

**Phoenix Community Housing
Board Report (continued)**

Phoenix has implemented a performance monitoring regime including key performance indicators to monitor achievement of the Association's objectives. Key performance indicators reviewed by the Board are shown below:

| Performance indicator | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 | Comment |
|---|---------|---------|----------|----------|----------|---|
| Tenant satisfaction with Phoenix as a landlord | n/a * | 84% | n/a * | 74% | 71% | Survey undertaken in 2012 recorded an increase in satisfaction with Phoenix as a landlord. * no survey undertaken in 2011/12 and 2013/14 |
| Rent collected as a percentage of gross rent receivable (excluding voids; prior year figures have been restated to exclude void loss) | 100.4% | 99.5% | 100.1% | 100.8% | 100.0% | Performance improved on 2012/13 and above target of 99.0% following the restructure of the Income and Legal teams in response to the Government's welfare reforms. |
| Leaseholder service charges - amounts collected in year | £1.6m | £1.7m | £733,000 | £530,000 | £519,000 | Performance below target, particularly in respect of major works recharges. Structure of the Home Ownership team and the major works finance options available to leaseholders have been reviewed. |
| Total number of voids at 31 March | 30 | 24 | 41 | 68 | 65 | Increase in number of void properties at end of year; average during the year has been 24. |
| Average number of days taken to relet a property (short term voids) | 28 | 25 | 27 | 27 | 45 | Performance in 2013/14 just above target of 27. |
| Responsive repairs completed on time | 97% | 98% | 98% | 99% | 95% | Performance on repairs completed on time has been maintained at high levels throughout the year, although the percentage of first time fix was below target. Continued 100% of gas safety checks completed within time |
| Responsive repairs completed right first time | 89% | 89% | 89% | 95% | 94% | |
| Gas safety checks completed on time | 100% | 100% | 100% | 100% | 99.1% | |
| Percentage of homes meeting Decent Homes Standard | 100% | 100% | 85% | 68% | 35% | |
| Complaints dealt with on time | 63% | 95% | 96% | 81% | 80% | New complaints policy introduced focussing on resolution of complaints at first stage. Complaints responded to on time was below target. |

**Phoenix Community Housing
Board Report (continued)**

| Performance indicator | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 | Comment |
|------------------------------------|---------|---------|---------|---------|---------|---|
| Complaints escalated above stage 1 | 8% | 8% | 14% | 11% | n/a | Following introduction of new policy and Customer Resolution team, there has been a low level of escalation of complaints to the next stage |

Phoenix inherited 5% rent arrears from Lewisham Council at transfer, and arrears actions in the initial few months following transfer were frustrated by delays in Phoenix Community Housing being recognised by the courts where tenants had not signed a new tenancy agreement, leading to arrears increasing to 8.6% by 31 March 2009. Current tenant rent arrears have continued to improve as a percentage of rent receivable at 5.2% (6.3% at 31 March 2013) but remain high compared to similar associations. Former tenant arrears have reduced compared to 2012/13 following decisions by the Board to write off some of the arrears owed by former tenants which are not collectable. The reduction of current and former tenant arrears is a continued area of focus while also providing support to vulnerable residents (for example, benefit advice and debt counselling through Citizens Advice).

Phoenix moved to its new head office and community facility at the site of the former Green Man public house in November 2013. The building includes a training kitchen run by Lewisham Council, a new branch office for the Lewisham Plus Credit Union, a community café as well as space available for hire for use by the community.

The Customer Access Strategy was implemented during the year to ensure that services reflect the needs of our residents and that we deliver them using points of contact they want to use and which are aligned with their aspirations. The Strategy simplified the structure of our service delivery teams to create a more generic customer delivery model, as well as enhancing self service options for residents and embedding the 'gateway' ethos. The new structure became operational in September 2013. The costs of the restructure (£481,000) have been treated as an exceptional item.

Implementation of the first phase of the new core business system was completed in December 2012 and further work on phase two of the project continued during 2013/14 to enable improvements to processes to support the delivery of the new Customer Access Strategy, as well as develop a new asset management system.

Membership of the enhanced membership scheme, 'Gold Membership', for shareholding members in association with the Co-operative Group continued to grow. 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 added to any points that residents earn through spending at Co-operative outlets and are converted into a dividend payment by the Co-operative Group which is paid in June and November 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 Board agreed to the formation of a new wholly owned subsidiary, Phoenix Agency Services Limited, to provide labour for the delivery of the repairs, gas servicing and voids programmes of work through our partnering contract with Willmott Dixon Partnerships ('WDP'). The WDP administrative and operational staff working on the contract transferred to the subsidiary on 1 July 2013, with WDP continuing to provide the management and infrastructure for the contract, including materials, sub-contractors, vans, equipment and systems. The new subsidiary was incorporated on 8 March 2013 and commenced trading in July 2013 following agreement from the London Borough of Lewisham for the company to become an admitted body of the Lewisham

Phoenix Community Housing Board Report (continued)

Council Local Government Pension Scheme. The new arrangements have operated successfully resulting in savings to Phoenix in the delivery of the repairs service.

During the year Phoenix submitted a successful bid to the Mayor of London's Covenant - Building the Pipeline fund to develop an 'Extra Care' housing scheme adjacent to an existing older persons scheme at Hazlehurst Court. The scheme is also being supported with grant funding from the London Borough of Lewisham. Design work has progressed and planning permission will be sought in June 2014 with the intention of starting on site in early 2015. The Board also approved a bid to the Greater London Authority for grant funding under the 2015-18 Mayor's Housing Covenant to support the development of 51 social and affordable homes.

In order to support the Board's plans for the development of new homes, including the Extra Care scheme above, we agreed a restatement of our loan facility with Barclays Bank to create a tranche of development funding within the existing £70 million loan facility.

Financial Performance

The financial statements cover the year from 1 April 2013 to 31 March 2014.

The consolidated income and expenditure account on page 33 shows an operating surplus of £7.4 million (2013: £7.4 million) on turnover of £32.7 million (2013: £34.1 million). The main reason for the decrease in turnover was the lower level of recharges of major works to leaseholders of £1.6 million (2013: £4.2 million) which are included under non-social housing activities. These reflect the reduced level of major works expenditure compared to 2012/13. The related works are included in operating costs under non-social housing activities.

The operating surplus was reduced by exceptional costs of £481,000 associated with restructuring (2013: £333,000). After the surplus on property sales through the Right to Buy of £420,000 (2013: £5,000) and interest payable net of other finance income of £2.1 million (2013: £2.0 million), the surplus for the year was £5.7 million (2013: £5.5 million). Under a claw-back agreement with the London Borough of Lewisham, the Association retains only a proportion of income from sales of property through the Right to Buy. In the year the Association sold 36 properties of which its share of the net sales proceeds was £1.0 million (2013: £229,000).

The consolidated balance sheet is shown on page 35. The cost of housing stock transferred from the London Borough of Lewisham has been calculated by assessing the cost of works that Phoenix has contracted to undertake in taking ownership of the properties of £151.3 million (2013: £150.9 million), primarily the requirement to improve the housing stock to meet the Decent Homes Standard, net of the unamortised grants receivable of £38.2 million (2013: £39.8 million) towards the cost of these works.

The commitment to deliver the major works and improvement programme has also been provided for on the balance sheet. The provision is calculated by reference to the latest estimate of the cost of the commitment, reduced by the actual expenditure incurred in the year relating to items recognised within the provision.

Goodwill of £380,000 relates to the net pension liabilities assumed by the subsidiary, Phoenix Agency Services, following the transfer of staff from the repairs contractor in July 2013.

The expenditure on 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 to Lewisham Council for the provision of a training kitchen. Depreciation has been provided from November 2013 when Phoenix moved to the building.

Phoenix Community Housing Board Report (continued)

Debtors include £5.5 million (2013: £4.6 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. The assessment of the bad debt provision in respect of tenant rent arrears has taken into account the impact of the welfare reforms which began to come into effect in April 2013.

The Association participates in two pension schemes, the Social Housing Pension Scheme (SHPS) based on career average earnings and the London Borough of Lewisham local government pension scheme (LGPS) for all participating employees who transferred to the Association on 3 December 2007. The share of the LGPS surplus or deficit is included on the balance sheet in accordance with accounting standards and was a liability of £950,000 at 31 March 2014 (2013: £871,000) with the overall impact of changes in financial assumptions used to assess the pension liability being positive and offsetting the acquisition of the pensions liability relating to staff transferred from the repairs contractor to the subsidiary. The most recent actuarial valuation of the LGPS scheme as at 31 March 2013 recommended an increase in employer contributions from 16.5% to 20.4%.

Cash inflows and outflows during the year appear in the cash flow statement on page 37. The cash inflow from operating activities was £9.6 million (2013: £8.0 million). During the year the Association spent £14.5million (2013: £25.5 million) on the major works and improvement programme including the share of VAT recoverable under a sharing agreement with Lewisham Council. This was funded by operating cash flow and £9.6 million (2013: £4.6 million) of gap funding grant from the Department for Communities and Local Government. Gap funding grant is paid quarterly in arrears. The apparent large increase in gap funding grant received in 2013/14 is due to the grant for the last quarter of 2011/12 being paid in March 2012 (rather than May 2012) as the responsibility for administering the grant was transferred from the Homes and Communities Agency to the Department for Communities and Local Government.

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

| £000 | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|--|----------|----------|----------|----------|----------|
| Turnover | 32,659 | 34,089 | 29,716 | 27,960 | 26,129 |
| Operating surplus | 7,356 | 7,439 | 6,202 | 8,647 | 5,007 |
| Net Interest (payable)/income | (2,105) | (1,989) | (1,551) | (1,218) | (841) |
| Surplus/(deficit) on sale of properties | 420 | 5 | (33) | 3 | (15) |
| Surplus for the period | 5,670 | 5,455 | 4,618 | 7,432 | 4,151 |
| Operating margin % | 23% | 22% | 21% | 31% | 19% |
| | | | | | |
| Housing properties | 94,964 | 96,604 | 104,327 | 110,372 | 104,711 |
| Other fixed assets | 7,448 | 4,549 | 856 | 667 | 799 |
| Goodwill | 380 | - | - | - | - |
| Net current assets/(liabilities) | (7,020) | 1,450 | (13,021) | (3,255) | 4,330 |
| Improvement works liability falling due after more than one year | (12,432) | (25,576) | (38,690) | (64,364) | (81,358) |
| Loans | (52,235) | (52,202) | (34,170) | (28,637) | (19,855) |
| Pensions (liability)/ asset | (950) | (871) | (104) | 356 | (4,618) |
| Reserves | 30,152 | 23,952 | 19,196 | 15,138 | 4,008 |
| | | | | | |

**Phoenix Community Housing
Board Report (continued)**

| £000 | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|---|----------------|----------------|----------------|----------------|----------------|
| Net cash inflow from operating activities | 9,634 | 7,956 | 6,996 | 9,377 | 7,679 |
| Net interest (payable)/receivable | (2,078) | (2,049) | (1,782) | (1,163) | (756) |
| Capital expenditure | (17,783) | (29,360) | (18,469) | (25,944) | (27,132) |
| Sale proceeds net of amounts payable to LBL | 1,628 | 223 | (17) | 42 | (963) |
| Grants | 9,571 | 4,600 | 8,293 | 7,754 | 7,297 |
| Loans drawn down (net) | - | 18,000 | 5,500 | 8,750 | 14,950 |
| | | | | | |
| Number of properties | | | | | |
| General needs | 5,427 | 5,461 | 5,472 | 5,479 | 5,496 |
| Leaseholders | 823 | 811 | 809 | 809 | 807 |

Capital structure and treasury management

The Board agreed a long term loan facility with Barclays Bank plc of £70 million at transfer to finance the major works and improvement programme to the housing stock. At 31 March 2014 the Association had borrowed £53 million under this facility.

The Board has approved a treasury management strategy which is intended to manage the Association's exposure to interest rate fluctuations. At 31 March 2014 £40m (75% of debt) was held at fixed rates of interest. The Association has put in place a number of fixed rate agreements with Barclays Bank so that the proportion of projected debt which is at fixed rates of interest remains in the range of 58% to 80% over the next 10 years, in line with the Board's treasury management policy, and averages 66% over the term of the loan. The fixed interest rates range from 4.7% to 5.1%.

The loan facility is secured on the Association's housing stock. The loan facility is revolving and the Association seeks to hold only sufficient funds to meet forecast liquidity needs. All the Association's activities are denominated in sterling and no currency risk arises.

Compliance with loan covenants

The Association has agreed financial covenants with Barclays in respect of cash deficits and asset cover. For the year to 31 March 2014, the Association met these financial covenants.

Capital commitments

At 31 March 2014 the Group had £42.8 million (2013: £41.6million) of capital commitments which will be funded by a combination of operating surpluses, capital grants and drawdown of debt under the Association's loan facility.

Business risks

The Board has undertaken a review of the principal risks that may affect the Association's achievement of its strategic objectives. The principal risks are included within a risk register which is reviewed by the Executive Management Team and Audit Committee quarterly and is considered by the Board at least once each year. The principal risks to successful achievement of the Association's objectives are:

Phoenix Community Housing Board Report (continued)

Changes in legislation or Government policy

This is a sector wide risk given the proportion of rent paid via housing benefit and the dependency on grant funding. This risk is being managed by regular monitoring of policy announcements and lobbying on behalf of the sector by the National Housing Federation. A welfare reform action plan is in place to respond to the changes in benefit being introduced by government and the Board approved a restructure of the Income and Legal teams in response to the welfare reforms.

Availability and pricing of finance

The use of the loan facility for the development of new homes was negotiated in January 2014. A key priority for 2014/15 is continuing work on the Development Strategy and this may require additional finance above the current projected peak debt of £69 million. Access to finance will be secured prior to any contractual commitment for new development which requires additional finance.

Basel III, a new global regulatory standard on bank capital adequacy and liquidity, is likely to increase costs for lenders which they may be able to pass on to borrowers. A prudent level of interest rates is assumed in the business plan.

Significant increase in the number of sales of property under the Right to Buy

Nearly 3,800 tenants who transferred from Lewisham Council have the preserved right to buy their home. The government has increased the discount available to tenants under the right to buy to a maximum of £100,000, which has resulted in a substantial increase in the number of such sales. Phoenix retains a fixed proportion of the net sale proceeds under the transfer agreement. A significant increase in sales would require action to reduce operating costs to compensate for the reduced level of rental income.

Cuts in Local Authority services impact on residents/community

Lewisham Council are implementing cuts to services which will result in potentially less support for vulnerable residents. Phoenix is working with other agencies such as the Credit Union to provide support to residents and a key priority for 2014/15 is the development of a Community Regeneration Strategy.

Expectation of residents exceeds the provision in the stock condition survey

The external works completed in 2013/14 were in line with budget and scoping surveys have already been undertaken for the external works over 2014 to 2016. The scope of environmental improvements is being reviewed so that a programme of environmental works can commence in 2014/15.

An independent surveying firm undertook a sample stock condition survey in January 2013 for loan security purposes. This confirmed that nearly all the stock had met the Decent Homes Standard. The long term projected expenditure from the survey is reflected in the latest business plan.

Failure to achieve key performance targets

The Board receives a quarterly performance summary and monitors the action taken by the Executive Management Team to address areas of poor performance.

Inability to tailor services to customer needs

The Customer Access Strategy is intended to ensure that services reflect the needs of our residents and that we deliver them using points of contact they want to use. This is supported by phase two of our Core Business System project. A project board is in place to oversee the implementation of the new systems.

Phoenix Community Housing Board Report (continued)

New development not achievable within scheme appraisal parameters

The recent upturn in economic conditions is leading to a rise in tender prices for construction. Plans for the scheme are being reviewed by the Development Sub-Committee prior to approval by the Board. The Executive structure has been reviewed and a new Director of Property and New Business appointed with development experience.

Value for Money

The Regulatory Framework for Social Housing includes a specific standard for Value for Money. Our regulator, the HCA, requires us to have a “comprehensive and strategic approach to achieving value for money” in meeting the organisation’s objectives. The standard also requires the Board to maintain a robust assessment of the performance of all their assets and resources (including financial, social and environmental returns).

Our vision is **“to work together to build a better future for our Phoenix Community”**. Phoenix is a resident led organisation and residents confirmed in focus groups earlier this year that this vision aligns with how we should approach value for money for Phoenix - “spending money to create a harmonious community where residents are satisfied” (focus group attendee).

To support the delivery of this vision, the Board has set the following strategic aims in our Corporate Plan.

- Resident Ownership and Leadership
- Excellence in People and Services
- Homes and Environment
- Sustainability- doing the most with what we have

One of the corporate objectives approved by the Board under our strategic aim of Sustainability is **to maximise the value for money outcomes of all our work while maintaining our financial viability**.

This Value for Money Self Assessment has drawn on the following sources:

- Resident focus groups and working groups.
- Staff focus groups.
- Feedback from good practice seminars and learning from our peers.
- Lewisham Council.
- Direction from the Board following presentations and reports on value for money.
- Board champions’ scrutiny of the statement and sources of assurance.
- Audit Committee review of the process of self assessment.

Value for Money Strategy

The Board reviewed and approved the Value for Money Strategy in July 2013 and again in July 2014. For Phoenix the achievement of Value for Money means the delivery of our strategic objectives in the most cost effective way possible. In practice this means:

- A strategy that focus resources on business and resident priorities.
- Investing in the right physical and people assets at the right price.
- Doing things right first time – efficient and effective delivery.
- Evaluating success – checking that the right outcomes have been delivered, what has been learnt and reinvesting gains to achieve more social value.

Phoenix Community Housing Board Report (continued)

Social value for Phoenix is the improvement in people's lives through managing and letting homes for people who need them and providing a range of landlord and community services aimed at maximising residents' enjoyment of both their home and local area, so we meet our overall vision **"to build a better future for our Phoenix Community"**.

The Value for Money Strategy aims to deliver more social value by reinvesting surpluses and improving service outcomes. The key objectives of the strategy are:

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

The corporate planning and budget framework is designed to ensure that objectives are prioritised and resources are focused on achieving them. Phoenix has a Corporate Plan which sets out what the organisation aims to achieve over the five year period 2013-2018. This is supported by key strategies, in particular:

- Customer Access
- Community Empowerment
- Community Regeneration
- Asset Management
- Development
- IT
- Value for Money

Every year the Board approves key performance indicators, projects and milestones to support the corporate priorities for the year and receives reports on progress. Value for money implications are included as part of all corporate priorities. Detailed service improvement plans set out the actions and projects that are required to deliver the corporate objectives and the annual budget allocates resources according to these priorities. In addition the budget informs the long term financial plan which also draws on other sources of information (for example, the stock condition survey) to confirm the long term financial viability of Phoenix.

The planning process outlined above incorporates consultation with residents, through the Community Links and working groups, Lewisham Council and our lenders. The corporate plan, key strategies, long term financial plan and budget are reviewed and approved by the Board annually.

Successful achievement of value for money is integral to successful achievement of the strategic objectives. The Board monitors performance against the agreed objectives in the corporate plan every six months and performance against targets every quarter. Performance reports include benchmarking to enable comparison with our peers. During the year the Board received specific reports on key service areas as part of our overall performance framework. These included:

- Caretaking and estates services
- Voids and lettings
- Anti Social Behaviour
- Tenancy sustainment
- Major works

Phoenix Community Housing Board Report (continued)

- Repairs
- Complaints
- Rent collection and arrears
- Leasehold management and income collection
- Communication
- Health and Safety

The frequency of these reports and detail is triggered by tolerance levels for performance set by the Board as well as risk. For example, this means majors works reports were received at every meeting in 2013-14 and the frequency of rent collection and arrears reports were increased in light of the potential impact of the welfare reforms on our business and the importance of achieving value for money from our increased investment in early intervention and tenancy sustainment.

Monthly management accounts are prepared and reviewed by the Board at each meeting. The management accounts process includes a value for money review with budget holders to identify value for money gains and waste. Satisfaction and quality of services is measured through the use of the STAR survey, supplementary surveys on specific service areas as well as complaints, performance monitoring and mystery shopping by residents.

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 £127 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) and a reduction in the number of long term empty properties from 30 at transfer to 2 at 31 March 2014.

The major works contracts were competitively tendered applying European tendering rules. The estimate of the improvement works liability to meet the requirements of the transfer agreement was £149 million at the time of transfer. The latest estimate of the cost of improvement works remaining to be spent is £24 million, meaning that the total cumulative spend will be £151 million, very close to the original estimate at transfer.

The expenditure on major works has been partly funded by £42 million of gap funding grant from the Department for Communities and Local Government (DCLG) received over 6 years, plus an uplift for inflation, subject to annual approval. Phoenix has received all the gap funding grant in line with the agreement.

In addition to achieving the Decent Homes Standard, the significant investment in the housing stock is also reflected in tenants' satisfaction with their homes, which has risen from 62% in 2009 to 84% in the most recent STAR survey in 2012, and the reduction in the average number of days to relet a property from 72 days to 28 days.

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.

Given the absence of commercial property of sufficient size to meet our needs in the Phoenix area, Phoenix has invested £6.0 million on the Green Man head office and community facility, which is a significant investment for the organisation. The move to the Green Man means we no longer pay rent on our previous office at Wren Court and the net present value of the rent that we would have continued to pay had we remained in Wren Court is greater than the cost of the investment in the

Phoenix Community Housing Board Report (continued)

office building. The construction contract was competitively tendered applying European tendering rules.

Return on capital

The financial return on capital for our housing stock (all general needs social housing) is set out in the table below:

| General needs | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---------------------------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Operating surplus from Social Housing | 5,501 | 7,944 | 5,869 | 7,312 | 7,663 |
| Cost net of grant | 104,711 | 110,372 | 104,327 | 96,604 | 94,964 |
| Return on capital | 5.3% | 7.2% | 5.6% | 7.6% | 8.1% |

The improved return on capital in 2012/13 and 2013/14 is due to the annual increase in rent, which included the relatively high level of RPI and the application of the target rent flexibility, while keeping operating costs close to the 2011/12 level. The Board agreed to apply the flexibility to increase target rents by 5% in 2012 to mitigate the risk of future changes to rent regulation and provide resources for development of new homes. The resulting increase in surplus has allowed Phoenix to successfully bid for grant funding for its first development scheme: a 60 unit extra care scheme located on land adjacent to an existing older persons scheme. Phoenix has also submitted a bid to the Greater London Authority for grant funding under the 2015-18 Mayors' Housing Covenant to support the development of 51 new homes at social and affordable rents. This bid was supported by a proposal to develop a small number of properties for sale on an existing site. Although this bid was unsuccessful, the Board will be considering options to enable these schemes to proceed.

In order to support the Board's plans for the development of new homes, we agreed a restatement of our loan facility with Barclays Bank to create a tranche of development funding within the existing £70 million loan facility.

The Board approved a new Asset Management Strategy in 2013 which recognises the need to assess the performance of properties, in terms of their economic and social return, at a 'granular' level. We are implementing a new asset management system to support this strategy which will provide the analysis to enable this assessment to inform future decisions to invest in properties or consider alternative use, including disposal.

The Green Man site was acquired in exchange for some structurally unsound properties which have since been demolished and new housing provided by another provider. The Board has also agreed in principle to sell one long term void property where the estimated sales value significantly exceeds its net present value as social housing. The sale proceeds will be used to develop or acquire new social housing subject to agreement with Lewisham Council.

Rent loss is minimised on long-term voids by letting them temporarily to homeless families while structural works are monitored or if this is not feasible we allow contractors to use them for storage.

Social return on assets

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 Green Man provides facilities for key partners, a branch office for the Lewisham Plus Credit Union, a training kitchen for Lewisham Council, a community café, a community space for residents and local businesses, as well as office facilities for staff, and has created 13 new jobs for local people.

Phoenix Community Housing Board Report (continued)

The impact of this investment will be reviewed after one year of operation. We will use focus groups and surveys as well as hard evidence such as footfall, reach and service outcomes to achieve this and are piloting both the Social Return on Investment (SROI) model and the Housing Association Charitable Trust (HACT) model to ensure we not only use the most robust model we can but that it is meaningful to our residents.

The total cost of our community empowerment and regeneration activities in 2013/14 was £628,000 net of income received.

Phoenix has continued to maintain community centres located in the Phoenix area, in accordance with its transfer agreement commitment. This investment has ensured that the community centres continue to provide a place for local people to meet and foster a sense of community. There has been an increase in letting of the centres for functions, and youth and religious groups, resulting in 5,120 hours of use and £42,000 of income in 2013-14.

The investment in community facilities and initiatives is part of our Community Regeneration Strategy. A relatively small investment can help to transform an individual's life and also improve a neighbourhood. We have set up the 'Community Chest' which offers up to £100,000 each year for projects that will make a difference to the lives of Phoenix residents. The funding is open to bids from Phoenix staff, as well as residents, community groups, charities and voluntary organisations. The successful bids are chosen by Phoenix residents through the Community Links and the projects are monitored to measure their success against their stated objectives. The first set of impact assessments of these initiatives will be completed in September 2014.

Over six thousand people attended the Phoenix festival in May 2013; funding, staff time and activities were provided by our main contractors to create a vibrant event reaching the whole community. The event also enabled us to consult on our Community Empowerment Strategy, which has now been finalised and approved by the Board.

Our new approach of holding Community Link events for our 3 key areas three times a year and one Community Chest event annually will be evaluated in 2014-15 after it has been in place for over one year. Early signs are positive with 290 people attending the first link events in February 2014, an increase of over 260% compared to attendance at previous area panels at less than half the cost.

Support was also provided to 66 residents for IT training and a joint partner bid was submitted to the national lottery for ICT training and the development of resident digital champions; this bid was awarded £275,000 across Lewisham and will be delivered in 2014-15. Expected inputs from Phoenix are meeting space in the Green Man to run an Information and Advice Hub. Outcomes expected include recruitment and training of our residents as volunteers and new and additional services being provided at our offices. The provision of services for online benefit applications will make us better equipped to meet residents' future needs; more effective referrals, signposting and early intervention will also ensure our resources are better used and tenancy sustainment is maximised.

Phoenix also seeks to maximise the positive impact on the community of its investment in the housing stock through the creation of training and employment opportunities for local people. During 2013/14 our contractors engaged 19 local people as trainees and apprentices and Phoenix also directly employed 7 apprentices. In recruiting our apprenticeships through the Mayor's scheme in Lewisham we saved recruitment and development costs estimated at £10,000.

In 2013-14 we also developed our Employers Forum emphasising the importance of social value contributions and the expectations we have of our contractors.

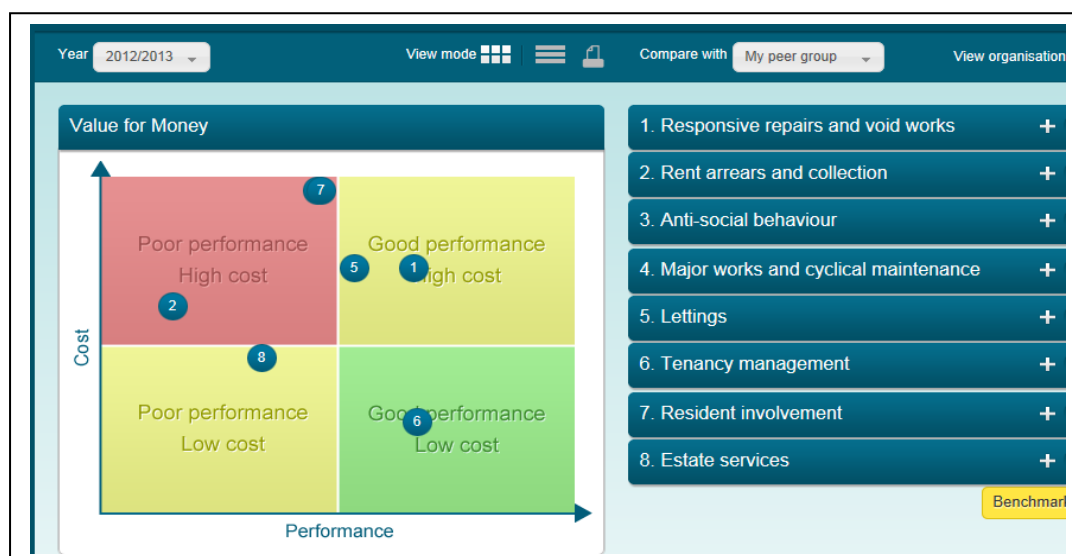
Phoenix Community Housing Board Report (continued)

Costs of delivering services

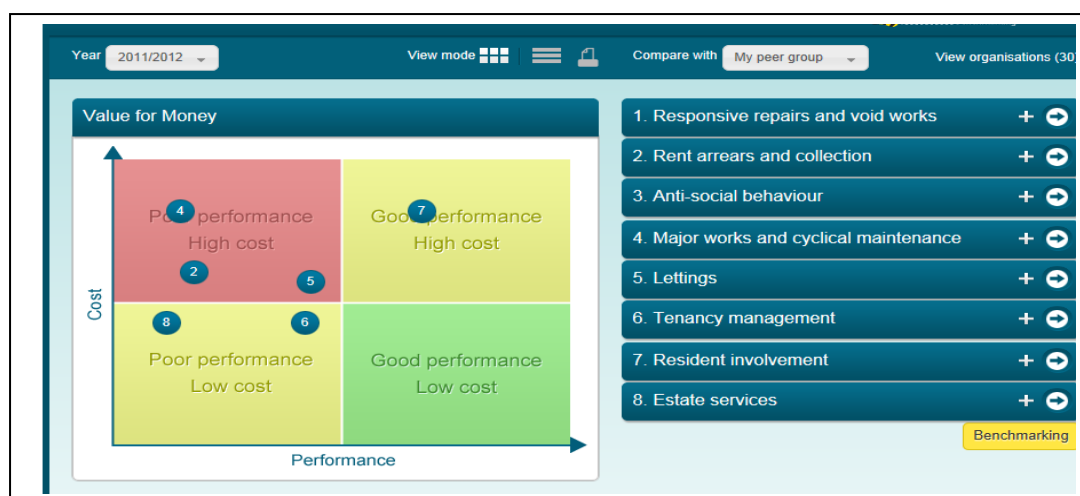
A key part of demonstrating value for money is to understand how our costs compare to other social housing organisations, allowing for our local context, and the performance and outcomes that are being sought. We are a member of a benchmarking group (Housemark) which provides comparative information on costs and performance. This information allows us to compare ourselves against our peers, identifying areas of our business where costs appear high or performance is low and further analysis is needed. We use this comparative information to target further value for money improvements and help set priorities for service improvement plans.

The latest benchmarking data to 2012/13 is set out below. A full report showing our costs and how we compare to others is available on our web site here: <http://www.phoenixch.org.uk/performance>. This will include 2013-14 figures when they are available.

Summary of costs and performance in comparison to other London based associations with less than 7,500 homes.



The number 4 in the graph above (major works and cyclical) is under the 7 - this can be seen on our website. <http://www.phoenixch.org.uk/performance>



Phoenix Community Housing Board Report (continued)

The number 3 in both graphs above is missing as we did not supply performance measures to Housemark for ASB. We will be able to supply this information from 2014-15 as we have enhanced the way we record and monitor ASB, in line with Housemark indicators.

The number 1 in the above graph is missing as we did not supply a full set of performance data to Housemark in 2011-12; cost data and comparisons can be viewed on our website.

<http://www.phoenixch.org.uk/performance>

The summaries above show a positive direction of travel for most areas with improving performance and costs compared to our peers. An analysis of key value for money indicators is set out in the tables below:

| Value for Money indicator | Phoenix 2012/13 | Phoenix 2011/12 | Peer Group 2012/13 (median) |
|---|-----------------|-----------------|-----------------------------|
| Management costs per home | £571 | £586 | £545 |
| Revenue maintenance costs per home | £1,002 | £987 | £889 |
| Estate service costs per home | £301 | £302 | £370 |
| Overhead cost as a percentage of turnover | 15.2% | 14.6% | 13.7% |
| Void losses % | 0.47% | 1.03% | 0.76% |

| Value for Money indicator | Phoenix 2012/13 | Peer Group 2012/13 (median) |
|--|-----------------|-----------------------------|
| Tenant satisfaction with overall service % | 84% | 79% |
| Tenant satisfaction that their rent provides VFM % | 75% | 69% |
| Tenant satisfaction with quality of home % | 81% | 75% |
| Tenant satisfaction that their views are taken into account % | 66% | 60% |
| Leaseholder satisfaction with overall service % | 51% | 64% |
| Leaseholder satisfaction that their service charge provides VFM % | 33% | n/a |
| Leaseholder satisfaction that their views are taken into account % | 38% | 47% |

Notes:

The peer group are traditional and transfer associations with less than 7,500 homes in London which are Housemark members, except for leaseholder measures where the peer group is the Housing Quality Network. This included 30 Associations - the full list is in our web site

N/A means information is not available or published at the time of producing this statement.

The satisfaction percentage results are taken from the STAR survey undertaken in 2012-13.

Phoenix Community Housing Board Report (continued)

Overall satisfaction with Phoenix as a landlord is among the highest in our peer group. This has been achieved at the same time as a decrease in housing management costs per property which are around the median level.

Within housing management costs, the area of resident involvement has a high cost per property. The Board recognised that this is an area of relatively high cost with uncertain impact in terms of outcomes for residents and we have therefore undertaken a review of our Community Empowerment Strategy and Customer Access Strategy. One of the outcomes of this review has been a restructure of the Gateway and Housing teams, to focus a smaller Gateway team on community regeneration and embed resident involvement within the housing teams, resulting in a reduction in the cost of resident involvement and net annual savings of £200,000.

Overall revenue maintenance costs increased by less than inflation with a reduction in the average cost of responsive repairs being achieved through the partnering arrangements with our repairs contractor. Responsive repairs are higher than the median level caused by a higher average number of repairs per property (4 compared to the median of 3.5) with the average cost of repair being very similar to the median level. The Board has noted the good performance in most areas of repairs which is reflected in the latest satisfaction survey, although value for money focus groups with residents have identified repairs being completed in one visit as an area for improvement. Average void repairs costs per property are higher than the median reflecting the high void standard agreed by the Board following consultation with residents and a number of properties requiring decent homes work, where these were not undertaken through the planned programmes. The expenditure on voids is now reducing due to the impact of the continuing major works programme.

Estate services costs are below the median. The grounds maintenance contract was re-procured in 2011 and satisfaction with this service area has increased. However residents have told us the neighbourhood is a priority service and it was an area of dissatisfaction for some residents even though overall satisfaction has improved; to respond to this we are reviewing our caretaking and estates services.

Overheads measured as a percentage of turnover is higher than the median and has increased compared to 2011/12. Within overheads, central costs and information and communications technology (ICT) show the largest variance from the median. Central costs include the Executive team and while these are higher than the median, this reflects the scope of the activities undertaken by Phoenix and the scale of the major works programme. With regard to ICT, we have invested in new core business systems which will provide lower ongoing costs in terms of maintenance and support as well as enabling Customer Services staff to answer resident requests and queries more effectively.

As would be expected the cost of major works per property appears high compared to our peers but reflects the significant major works programme Phoenix is undertaking.

Rent collection performance for 2012/13 was slightly below that achieved for 2011/12 and below target of 100%. The Board approved a restructure of the Income Team in recognition of the need to prepare for the welfare reform changes. The team was expanded in 2013 with one section focusing on early intervention and debt prevention, working closely with key partners and support agencies, and a second team dealing with legal cases and focusing on tenancy sustainment. This increased investment in resources has been a major factor in the improvement in rent collection performance for 2013/14 to 100.4%.

The availability of benchmarking information for leaseholder management is more limited. The Board noted the latest satisfaction survey of leaseholders shows increasing satisfaction and a

**Phoenix Community Housing
Board Report (continued)**

significant improvement on the position at transfer, although it remains low compared to the peer group. This has also been achieved during a period where the external major works have commenced to which leaseholders are required to contribute a proportionate share.

Value for money gains

In last year's statement we set out the key value for money initiatives for 2013/14. The table below summarises our achievements:

| Value for Money initiative 2013/14 | Outcome |
|--|---|
| Implementation of the Customer Access and Community Empowerment strategies which are expected to provide some £200,000 of savings per year. Part of these savings will be used to establish a 'community chest' to which residents and community groups can bid for funding to support community projects. | The Board approved the Customer Access and Community Empowerment Strategies. The resulting structural changes incurred costs of £481,000 in 2013/14 but provide some £200,000 of annual savings, with £40,000 allocated to the Community Chest and £80,000 used to fund apprenticeships. |
| Establishment of a wholly owned subsidiary to provide labour for the delivery of the repairs and maintenance programme in partnership with Willmott Dixon. | The new subsidiary commenced trading in July 2013 and has provided £140,000 savings on the delivery of repairs and voids maintenance. |
| Developing a Community Regeneration Strategy to maximise the social and economic impact of our work in the Phoenix area. | Work on this key strategy is ongoing and has been carried forward as a project for 2014/15. |
| Implementation of phase two of the Core Business System. | Implementation of phase two modules was temporarily deferred to allow for the restructure of Customer Services and the move to the Green Man building. A number of modules including anti-social behaviour, complaints and self-service, went live in March 2014 and work on the asset management system is continuing with a go live expected in September 2014. |
| Review and commence implementation of the Development Strategy. | A successful bid to the Mayor of London's Covenant - Building the Pipeline fund to develop an extra care housing scheme was made with £2.6 million of grant being allocated to the scheme, which uses land adjacent to an existing block. The scheme is also being supported with £2.1 million of grant funding from Lewisham Council. The Board also approved a bid to the Greater London Authority for grant funding to support the development of 51 new social and affordable homes, including cross-subsidy from development for sale on the site of a disused shop and flat acquired from Lewisham Council. |
| Review of the Asset Management Strategy, ensuring that the housing stock meets current and future needs, and identifying environmental improvements that can be funded from savings from the Customer Access Strategy and use of the wholly owned subsidiary for repairs. | Asset Management Strategy reviewed and approved by the Board. A programme of environmental improvements is being developed for works to commence in 2014/15. The Strategy also provides a model for assessment of the economic and social value of properties to inform future decisions where properties become vacant. The Board has agreed in |

**Phoenix Community Housing
Board Report (continued)**

| Value for Money initiative 2013/14 | Outcome |
|--|---|
| | principle to sell a long term void property, the proceeds from which will be used to acquire new social housing, subject to agreement with Lewisham Council. |
| Review options for financing to support the Development strategy. | Negotiations took place with Barclays Bank to create a development tranche of funding within the existing loan facility. Although this involved a repricing of this element of the loan facility, this was the most economically advantageous approach compared to alternative options and has been accommodated in the business plan. |
| Improve the community benefit from both existing contracts and future procurement of works. | <p>Training and apprenticeships provided through the external works contracts and sponsorship of community events.</p> <p>This included attendance and sponsorship of 18 community events, decoration of community centres and supporting 19 apprentices.</p> |
| Repairs visioning exercise with residents to inform the reprocurement of the repairs and maintenance contract in 2015. | Following the consultation exercise and evaluation of options, the Board agreed to bring the management of the repairs and maintenance contract into the subsidiary at the end of the current contract in March 2015. Savings will accrue from April 2015. |
| Review and development of the Gold membership scheme. | The scheme rewards behaviours by residents that save Phoenix money in delivery of services and members can earn up to £30 each year. The scheme membership has continued to grow to 1,409 at 31 March 2014. A review of the scheme has commenced and is due to conclude in July 2014. |
| Complete the review of the Community Empowerment Strategy and establish new scrutiny arrangements. | <p>Savings arising from the strategy are included under the Customer Access Strategy section above.</p> <p>The Community Empowerment Strategy has been developed by a joint staff and resident task group and has been approved by the Board. A key element of the revised strategy is the creation of three new 'Community Links', with access to a total budget of £100,000 per year over 5 years to spend on the local community, and the formation of a new Gateway Committee. The Gateway Committee will provide a key link between the Board, the Community Links and shareholding members. Residents have also been recruited to a new scrutiny panel.</p> |

Phoenix Community Housing Board Report (continued)

A value for money register is maintained to capture examples of value for money achieved through procurement or process review. Some other value for money gains that have been made during 2013/14 include:

- The improvement in performance on rent collection, including support to residents to obtain benefits they are entitled to, including discretionary housing benefit. Residents were supported to obtain £116,000 of additional income from July 2013 to April 2014 which might otherwise have led to increased arrears or possible eviction.
- The open book repairs and maintenance contract with Willmott Dixon Partnerships has provided a lower average cost of responsive repairs, providing savings of £40,000, although this was offset by the increase in repairs required following the damage caused by the storms during the winter period.
- Not replacing secondary heating in voids where central heating is provided (£60,000 saved in 2013-14).
- We secured £20,000 grant funding for environmental works to a disused amenity green to create a 'pocket park' and £10,000 to complete a feasibility study for a listed public house.
- The higher security and cleaning costs for the Green Man building (around £50,000) reflect the wider use of the building as a community facility, and are partially offset by savings on the costs of Board and Committee meetings as a result of the move to the Green Man.

A number of examples in the register also cover how staff time has been saved and reinvested in other activities due to process reviews. For example, an equivalent of £9,200 of staff time was saved following the replacement of door entry systems as the system and key fobs can now be reprogrammed electronically. Staff time has been invested in other direct service delivery.

The Value for Money gains have been invested as follows:

- Community Chest funding.
- Secondment to Lewisham Council to assist with the impact of welfare reform.
- Provision of space at the Green Man at a peppercorn rent for the Credit Union and the Council for a training kitchen.
- Funding for the development of new homes.

In addition Phoenix continues to provide social value of some £200,000 through a handyperson service for vulnerable residents; the employment of a Sustainable Homes Project Manager who provides energy advice to residents as well as undertaking energy performance certificates on void properties; internal decorations service for vulnerable residents; and funding for Citizens Advice.

- 81 successful visits were carried out to residents in 2013-14 to provide energy advice and support to obtain cheaper tariffs. In 63 cases controls were explained, in 8 cases residents could save over £100 by changing tariff, in 27 cases residents were supported to obtain a warm homes discount of £135 and in 11 other cases debt was written off or other energy advice was provided.
- 172 tenants received internal decorations in 2013-14.

Phoenix Community Housing Board Report (continued)

Key value for money initiatives in 2014/15 include:

- Implementation of the decision to bring the management of repairs in house (Repairs 2015 project); the budgeted cost for this project in 2014/15 is £380,000 including new IT systems but estimated annual savings of at least £300,000 will accrue from April 2015.
- Full year savings from the operation of the repairs subsidiary (£250,000).
- Reprourement of legal services through the Housing Associations Legal Alliance (HALA) framework - expected savings of £30,000 taking into account the retirement of in house lawyer who is not being replaced; efficiency gains expected through a refreshed process for instruction and added value from procurement process.
- Centralising marketing and all resident leaflet and newsletter budgets (£15,000).
- Review of structures in Asset Management, Contact Centre, IT and People Services.
- Investment in customer service training for all staff.
- Review of procurement strategy - focusing on extracting social value outcomes as well as cash savings.
- Review of the pension scheme offered in advance of auto-enrolment (£100,000 saving compared to the costs of auto-enrolment if no change in scheme).
- Developing the Community Regeneration Strategy to maximise the social and economic impact of our work on the Phoenix area.
- Complete implementation of phase two of the Core Business System, including the asset management system to enable a 'granular' view of the return on assets; savings targets will be set from the use of the new modules.
- Purchase of communal waste bins following the decision by Lewisham Council to introduce charges for the use of communal bins on estates.
- New scrutiny panel including a value for money perspective in their reviews.
- Procurement strategy for the new extra care scheme.
- Sale of a long term void property with proceeds reinvested in new social housing.
- Acquisition of freehold interest in properties held on long leases.
- Income from letting the community hub and barn community facility (£35,000).
- Application to the Heritage Lottery for grant funding to refurbish the Fellowship Inn to provide a community resource and training and employment opportunities.
- A Building Lives Academy operating from one of the community centres. Proposed targets include:
 - 150 residents engaged by the programme
 - 100 residents engaged to attend taster sessions per programme
 - 80 recruits to start BTEC level 1 course per programme
 - 50 recruits to start Level 2/ apprenticeship training per programme
 - Deliver 20 subsidised DIY sessions to local residents each year

Process of assurance

The main sources of assurance for the self assessment which have been reviewed by the Board champions are:

- Corporate plan priorities and key milestones monitoring reports.
- Performance reports – both key performance indicators and specific performance reports.
- Board approval of procurement strategies and appointment of contractors for works greater than £250,000.
- Resident feedback from focus groups and community events.
- Internal audit reports.
- Budget process and review of business cases.
- Housemark benchmarking report.

Phoenix Community Housing Board Report (continued)

- HQN self-assessment.

Our residents confirmed in the focus groups that the key initiatives for 2014/15 were the right priorities for improvement:

- The Repairs 2015 project.
- Customer Access Strategy - how residents access our services.
- Community Regeneration and Community Empowerment Strategies.
- Training on customer focus.
- Getting the basics right.
- Investing in the community and new homes.

Residents also told us who we should compare with, how and what to provide cost information on and how to make our Value for Money definition clearer.

We have used this information to write this statement, put more information on our web site, provide more information at our Annual General Meeting and include a summary in our annual report. We will also be sending out our Value for Money priorities in 2015 with our rent increase notices, so tenants see them in advance and at a time when they are receiving other financial information.

On our web site <http://www.phoenixch.org.uk/performance> we have included:

- A summary version of this statement
- Our Annual Report to tenants and leaseholders which also includes a section on VFM
- VFM Strategy
- Focus group results
- Performance information
- Satisfaction survey information

Overall assessment

The Board considered this statement in July and confirmed that it had received assurance that the Value for Money standard is being met but, as set out in our Corporate Plan for 2014-15, improvements are needed to improve our approach in 2 areas:

- fully assessing the social return on our investments and completing reviews planned for 2014-15; and
- assessing the return on our assets at a more “granular level” once our new asset management system goes live in September 2014.

The Board also confirmed it is satisfied that the organisation is providing value for money in what it does, with evidence of tenant satisfaction with services and improving performance and costs compared to our peers, but recognises the need to improve leaseholder satisfaction and reduce the level of central costs per property.

Future developments

Key priorities for the next year include progressing the development of the new extra care scheme and commencing work on other schemes; implementation of the decision to bring the management of the repairs service in house; continuation of work on the core business system to support the Customer Access Strategy; establishment of the new Gateway Committee; the transition to a smaller Board; and the introduction of pensions autoenrolment for staff.

In addition we have recently established the Phoenix Academy, a training programme open to all residents which will offer skills and advice that can help people find long-term employment or a boost to their career, and a better understanding of the world of social housing.

Employees

Details of employees are set out in note 5 to the financial statements.

The Board and Executive consider that the involvement of staff is essential in providing a high quality service to the Association's residents. The Association recognises the principal trade unions that represent its employees.

The Association is committed to consulting and involving staff on all aspects of its operations through a Joint Consultative Forum, staff forum, briefings, team meetings, e-mail communications, newsletters and the intranet.

Training

The core training programme covers health and safety, customer care, management development, induction for new staff and diversity. The Association also funds professional and academic qualifications for a number of staff. During the year, the Association employed seven apprentices.

Diversity

The diversity of staff is a key performance measure and as at 31 March 2014 the staff comprised 28% black and minority ethnic employees, 51% women and 11 staff with a stated disability. Applications for jobs are encouraged from people with disabilities and appropriate adjustments are made to the jobs of employees with disabilities to enable them to remain in employment. Phoenix is proud to have been accredited with the Two Ticks symbol in 2013 and is a member of Stonewall's Diversity Champions.

Health, Safety and Welfare of Employees at Work

The Board is aware of its responsibilities and receives a quarterly report on health and safety matters. The Association has detailed health and safety policies and provides staff training and education on health and safety matters. A Health & Safety Committee meets quarterly to consider matters of policy, good practice and review any accidents or incidents.

Going Concern

After reviewing the budget for 2014/15 and the 30-year financial plan, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

Disclosure of Information to the Auditors

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

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

Statement on System of Internal Control

The Board is ultimately responsible for Phoenix's system of internal control and for reviewing its effectiveness. 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.

During the year under review, Phoenix has operated a process of risk management that enables it to identify, evaluate and manage the significant risks it faces. The Board is responsible for reviewing and managing the process, which is ongoing. The Audit Committee receives reports on the significant risks quarterly and the Board also reviews these annually. The Executive Management 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 and mitigating actions.

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

- sound corporate governance arrangements including the adoption of the principal recommendations of the National Housing Federation's Code of Governance. A review of governance arrangements was undertaken and actions approved by the Board;
- 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 the Association's Standing Orders and Financial Regulations and detailed policies and operational procedures;
- an ongoing programme in place for reviewing all key policies, in consultation with residents through a policy working group, on a regular cycle to ensure that they are effective and reflect the latest legislation and regulatory requirements;
- a staff and Board code of conduct;
- a staff appraisal process including appropriate training and development opportunities;
- preparation of monthly management accounts incorporating revised forecasts which allow the Board and management to monitor financial performance. Significant variances from budgets are investigated and reported;
- a performance report including key performance indicators for review by the Executive Management 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;
- all significant new initiatives, major commitments and investment projects being subject to approval by the Board; and

Phoenix Community Housing Board Report (continued)

- 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 is comprised of different sources of assurance, the most significant ones being reports from the Internal Auditors, the Audit Committee, External Auditors, the Executive Management Team and the Performance Monitoring Sub-Group. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

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

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

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

Auditors

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting in September 2014.

On behalf of the Board

Pat Fordham, MBE
Chair

Date: 31 July 2014

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

Relevant legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and the Group and of their surplus or deficit for that year. In preparing those financial statements, the Board is required:

- to select suitable accounting policies and then to apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice for accounting by registered social housing providers Update 2010, subject to any material departures disclosed and explained in the financial statements; and
- to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and the Group and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and the Group and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website.

Nexia Smith & Williamson

Independent auditor's report to the members of Phoenix Community Housing

We have audited the consolidated financial statements of Phoenix Community Housing for the year ended 31 March 2014 which comprise the Group and Association Income and Expenditure Account, the Group and Association Statement of Total Recognised Surpluses and Deficits, the Group and Association Balance Sheet, the Group Cash Flow Statement, and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the requirements of statute. 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.

Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of Board's Responsibilities, set out on page 31, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2014 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 require us to report to you if, in our opinion:

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

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

27 August 2014

Consolidated Income and Expenditure Account

For the year ended 31 March 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|-------------------|-------------------|
| TURNOVER | 2 | 32,659 | 34,089 |
| Operating costs | 2 | (25,303) | (26,650) |
| | | <hr/> | <hr/> |
| OPERATING SURPLUS | 2 | 7,356 | 7,439 |
| Surplus/(deficit) on sale of fixed assets | 6 | 420 | 5 |
| Interest receivable and similar income | 7 | 37 | 100 |
| Interest payable and similar charges | 8 | (2,142) | (2,089) |
| | | <hr/> | <hr/> |
| SURPLUS FOR THE YEAR BEFORE TAXATION | 3 | 5,671 | 5,455 |
| Tax on surplus on ordinary activities | 9 | (1) | - |
| | | <hr/> | <hr/> |
| SURPLUS FOR THE YEAR | | <hr/> <hr/> 5,670 | <hr/> <hr/> 5,455 |

All amounts relate to continuing activities

Consolidated Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|-------------------|-------------------|
| Surplus for the year | | 5,670 | 5,455 |
| Actuarial gain/(loss) on pension scheme | 23 | 530 | (699) |
| | | <hr/> | <hr/> |
| Surplus relating to the year | | <hr/> <hr/> 6,200 | <hr/> <hr/> 4,756 |

Association Income and Expenditure Account

For the year ended 31 March 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|--------------|--------------|
| TURNOVER | 2 | 32,836 | 34,089 |
| Operating costs | 2 | (25,482) | (26,650) |
| | | <hr/> | <hr/> |
| OPERATING SURPLUS | 2 | 7,354 | 7,439 |
| Surplus/(deficit) on sale of fixed assets | 6 | 420 | 5 |
| Interest receivable and similar income | 7 | 33 | 100 |
| Interest payable and similar charges | 8 | (2,142) | (2,089) |
| | | <hr/> | <hr/> |
| SURPLUS FOR THE YEAR | 3 | 5,665 | 5,455 |
| | | <hr/> | <hr/> |

All amounts relate to continuing activities

Association Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|--------------|--------------|
| Surplus for the year | | 5,665 | 5,455 |
| Actuarial gain/(loss) on pension scheme | 23 | 488 | (699) |
| | | <hr/> | <hr/> |
| Surplus relating to the year | | 6,153 | 4,756 |
| | | <hr/> | <hr/> |

Consolidated Balance Sheet

As at 31 March 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|--------------|--------------|
| FIXED ASSETS | | | |
| Housing properties | 10 | 94,964 | 96,604 |
| Other fixed assets – intangible assets | 11 | 380 | - |
| Other fixed assets – tangible assets | 12 | 7,448 | 4,549 |
| | | <hr/> | <hr/> |
| | | 102,792 | 101,153 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Debtors - due within one year | 13 | 10,813 | 21,851 |
| - after more than one year | 13 | 518 | 1,528 |
| Cash at bank and in hand | 14 | 1,407 | 435 |
| | | <hr/> | <hr/> |
| | | 12,738 | 23,814 |
| | | <hr/> | <hr/> |
| CREDITORS: Amounts falling due within one year | 15 | (19,758) | (22,364) |
| | | <hr/> | <hr/> |
| NET CURRENT (LIABILITIES)/ASSETS | | (7,020) | 1,450 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 95,772 | 102,603 |
| | | <hr/> | <hr/> |
| CREDITORS: Amounts falling due in more than one year | 16 | 64,667 | 77,778 |
| Pension liability | 23 | 950 | 871 |
| | | <hr/> | <hr/> |
| | | 65,617 | 78,649 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Non-equity share capital | 17 | 3 | 2 |
| Revenue reserves | 18 | 30,152 | 23,952 |
| | | <hr/> | <hr/> |
| | | 95,772 | 102,603 |
| | | <hr/> | <hr/> |

The accounts were approved by the Board on 31 July 2014 and were signed on its behalf by:

Pat Fordham, MBE
Chair

Phil Newsam
Board Member

Chris Starke
Secretary

Association Balance Sheet

As at 31 March 2014

| | | 2014 £000 | 2013 £000 |
|---|-------------|--------------|--------------|
| FIXED ASSETS | Note | | |
| Housing properties | 10 | 94,964 | 96,604 |
| Other fixed assets – tangible assets | 12 | 7,448 | 4,549 |
| Investment in subsidiary undertaking | 27 | 5 | 5 |
| | | <hr/> | <hr/> |
| | | 102,417 | 101,158 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Debtors - due within one year | 13 | 10,801 | 21,851 |
| - after more than one year | 13 | 518 | 1,528 |
| Cash at bank and in hand | 14 | 1,286 | 435 |
| | | <hr/> | <hr/> |
| | | 12,605 | 23,814 |
| | | <hr/> | <hr/> |
| CREDITORS: Amounts falling due within one year | 15 | (19,756) | (22,369) |
| | | <hr/> | <hr/> |
| NET CURRENT (LIABILITIES)/ASSETS | | (7,151) | 1,445 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 95,266 | 102,603 |
| | | <hr/> | <hr/> |
| CREDITORS: Amounts falling due in more than one year | 16 | 64,667 | 77,778 |
| Pension liability | 23 | 491 | 871 |
| | | <hr/> | <hr/> |
| | | 65,158 | 78,649 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Non-equity share capital | 17 | 3 | 2 |
| Revenue reserves | 18 | 30,105 | 23,952 |
| | | <hr/> | <hr/> |
| | | 95,266 | 102,603 |
| | | <hr/> | <hr/> |

The accounts were approved by the Board on 31 July 2014 and were signed on its behalf by:

Pat Fordham, MBE
Chair

Phil Newsam
Board Member

Chris Starke
Secretary

Consolidated Cash Flow Statement

For the year ended 31 March 2014

| | | 2014 | 2013 |
|--|----------|----------|----------|
| | Note | £000 | £000 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 20(a) | 9,634 | 7,956 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | 3 | 7 | |
| Interest paid | (2,081) | (2,056) | |
| | | (2,078) | (2,049) |
| | | 7,556 | 5,907 |
| CAPITAL EXPENDITURE | | | |
| Improvements and works to properties | (14,510) | (25,529) | |
| Sale of housing properties (net of amounts paid to Lewisham Council) | 1,628 | 223 | |
| Purchase of other fixed assets | (3,273) | (3,831) | |
| Capital grants received | 9,571 | 4,600 | |
| | | (6,584) | (24,537) |
| NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING | 20(b) | 972 | (18,630) |
| FINANCING | | | |
| Loans received | 500 | 18,000 | |
| Loans repaid | (500) | - | |
| | 20(c) | - | 18,000 |
| INCREASE /(DECREASE) IN CASH IN THE YEAR | 20(b) | 972 | (630) |

Notes to the Financial Statements

For the year ended 31 March 2014

1 Principal Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards that comply with the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice for accounting by registered social housing providers Update 2010 (SORP 2010). A summary of the more important accounting policies is set out below.

The financial statements present information about the Association as an independent undertaking and its group. The financial statements consolidate the accounts of the Association and its subsidiary undertaking using acquisition accounting.

(b) Transfer of housing stock

The cost of housing stock transferred from the London Borough of Lewisham has been calculated by determining all future assets and liabilities, including the requirement to improve the properties to meet the Decent Homes standard and the grants receivable towards the cost of doing so, that Phoenix is responsible for in taking ownership of the properties. The actual 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) Turnover

Turnover represents rental and service charge income and other income receivable and is recognised on a time related basis.

(d) Sales under Right to Buy

Surpluses and deficits arising from the disposal of properties under the right to buy legislation are disclosed on the face of the income and expenditure account after the operating result and before interest. The cost of sales of the property is calculated by reference to the amounts spent to date on the properties. On the occurrence of a sale a proportion of the proceeds is payable to Lewisham Council and this is also included in cost of sales.

(e) Goodwill

The transfer of staff from the repairs contractor to the subsidiary undertaking has been treated as an acquisition and the excess of the fair value of the assets and liabilities acquired compared to consideration paid has been capitalised as goodwill. Goodwill is depreciated on a straight line basis through the income and expenditure account over its estimated life of 5 years starting from the date the subsidiary commenced trading.

(f) Fixed asset housing properties and depreciation

Housing properties are stated at cost less the amount of grants received towards their costs and depreciation.

Housing properties are split between the structure and those 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 lives of the structure and major components to write off the cost less any attributable grant at the following annual rates:

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

For all properties impairment reviews are carried out on an annual basis in accordance with Financial Reporting Standard 11 (Impairment of Fixed Assets and Goodwill).

Additions to housing properties under construction as a result of development activity are disclosed as “additions” in the fixed asset note. 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.

As noted above, the transfer of properties from the London Borough of Lewisham was for nil consideration and the cost of housing stock transferred has been calculated by reference to the requirement to improve the properties to meet the Decent Homes Standard. Accordingly no cost is attributed to the freehold land transferred.

(g) Capitalisation of interest

Interest on Phoenix’s borrowings is capitalised in housing properties to the extent it is financing new development and accrues in respect of the period of development. Interest on regeneration works is expensed in the year that it is incurred.

(h) Other fixed assets

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 economic useful 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 and software | 4 years |
| Motor vehicles | 4 years |
| Freehold offices | 50 years |
| Commercial property | over term of lease |

(i) Grants

The Secretary of State has granted gap funding grant to Phoenix on the basis of a negative valuation of the transferred stock of £42.2m. The Department for Communities and Local Government has agreed to pay this amount, adjusted by the Bank of England's Harmonised Index of Consumer Prices, over a period of six years from 2008/09 to 2013/14 inclusive, by quarterly claims.

Future gap funding grant is recognised as an asset in the financial statements. Gap funding grant receipts are matched against the future funding to reduce the balance due.

Grant which is allocated to components in housing properties is amortised over the life of the relevant component. Grant is taken to surplus on the sale of a property or replacement of the component.

Grant receivable towards expenditure of a revenue nature is treated as revenue income in the year the expenditure is incurred. Any grant received in excess of expenditure incurred is recognised as "grants in advance" within creditors.

(j) Pension costs

Contributions to the London Borough of Lewisham defined benefit pension scheme are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The cost of providing pensions is charged to the income and expenditure account over the periods during which the Association benefits from the employees' services.

Phoenix also contributed to the Social Housing Pension Scheme (SHPS), a funded multi-employer defined benefit scheme. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure account charge represents the employer contributions payable to the scheme for the accounting period.

(k) Leased assets

Rentals payable under operating leases are charged to the income and expenditure account in the period to which they relate.

(l) Accounting for loans

Costs incurred in raising loan finance are recorded as a deduction from the loan and subsequently amortised in the income and expenditure account over the term of the loan.

(m) Commitments

Phoenix is committed to delivering on the promises made to residents in the offer document, policy statements and statements of intent. These promises include undertaking a major works and improvement programme to the housing stock, meeting a standard higher than the Government's Decent Homes Standard.

Phoenix entered into commitments in relation to a programme of major works and improvements to properties transferred from the London Borough of Lewisham. Where the nature of the commitment is such that valid expenditure has been established with other parties (particularly the residents of the properties concerned) and that Phoenix will honour that commitment, to such an extent that Phoenix has no realistic alternative, then a provision is established for the obligation. This is disclosed in the financial statements as the improvement works liability.

These commitments are provided for with effect from the transfer date. The provision is calculated by reference to the latest estimate of the cost of the commitment. The corresponding amount of the provision at the transfer date is capitalised in the cost of the housing properties.

As expenditure relating to items recognised within the provision is incurred, it is allocated against the provision. At the period end, the provision is reassessed in the light of the estimates of future income and costs at that point in time. Variations from changes in estimates are reflected in adjustments to the provision and the cost of housing properties.

(n) 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 Phoenix 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.

(o) Services charges

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

(p) Taxation

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

(q) Deferred Taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet 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 balance sheet date. Any assets and liabilities recognised have not been discounted.

(r) Investments

The investment in subsidiary undertaking is held at historic cost less any provision for impairment.

2 Turnover, Operating Costs and Operating Surplus

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

| | 2014 | | |
|---|---------------|-----------------|------------------------------|
| | Turnover | Operating Costs | Operating Surplus/ (Deficit) |
| | £000 | £000 | £000 |
| Social housing activities | | | |
| Social housing lettings (note 2b) | 30,132 | 22,490 | 7,642 |
| Other social housing activities | 192 | 171 | 21 |
| | <u>30,324</u> | <u>22,661</u> | <u>7,663</u> |
| Non social housing activities | | | |
| Lettings: | | | |
| Leaseholders | 2,057 | 2,642 | (585) |
| Garages | 35 | - | 35 |
| Other income | 243 | - | 243 |
| | <u>2,335</u> | <u>2,642</u> | <u>(307)</u> |
| | <u>32,659</u> | <u>25,303</u> | <u>7,356</u> |
| Group particulars of turnover, operating costs and operating surplus | | | |
| | 2013 | | |
| | Turnover | Operating Costs | Operating Surplus/ (Deficit) |
| | £000 | £000 | £000 |
| Social housing activities | | | |
| Social housing lettings (note 2b) | 28,781 | 21,605 | 7,176 |
| Other social housing activities | 136 | - | 136 |
| | <u>28,917</u> | <u>21,605</u> | <u>7,312</u> |
| Non social housing activities | | | |
| Lettings: | | | |
| Leaseholders | 4,814 | 5,043 | (229) |
| Garages | 12 | 2 | 10 |
| Other income | 346 | - | 346 |
| | <u>5,172</u> | <u>5,045</u> | <u>127</u> |
| | <u>34,089</u> | <u>26,650</u> | <u>7,439</u> |

2 Turnover, operating costs and operating surplus (continued)

| (a) Association particulars of turnover, operating costs and operating surplus | 2014 | | |
|---|--------------|--------------------|------------------------------------|
| | Turnover | Operating Costs | Operating Surplus/ (Deficit) |
| | £000 | £000 | £000 |
| Social housing activities | | | |
| Social housing lettings (note 2b) | 30,132 | 22,495 | 7,637 |
| Other social housing activities | 369 | 345 | 24 |
| | <hr/> 30,501 | <hr/> 22,840 | <hr/> 7,661 |
| Non social housing activities | | | |
| Lettings: | | | |
| Leaseholders | 2,057 | 2,642 | (585) |
| Garages | 35 | - | 35 |
| Other income | 243 | - | 243 |
| | <hr/> 2,335 | <hr/> 2,642 | <hr/> (307) |
| | <hr/> 32,836 | <hr/> 25,482 | <hr/> 7,354 |
| Association particulars of turnover, operating costs and operating surplus | | | |
| | 2013 | | |
| | Turnover | Operating Costs | Operating Surplus/ (Deficit) |
| | £000 | £000 | £000 |
| Social housing activities | | | |
| Social housing lettings (note 2b) | 28,781 | 21,605 | 7,176 |
| Other social housing activities | 136 | - | 136 |
| | <hr/> 28,917 | <hr/> 21,605 | <hr/> 7,312 |
| Non social housing activities | | | |
| Lettings: | | | |
| Leaseholders | 4,814 | 5,042 | (228) |
| Garages | 12 | 2 | 10 |
| Other income | 345 | - | 345 |
| | <hr/> 5,171 | <hr/> 5,042 | <hr/> 127 |
| | <hr/> 34,089 | <hr/> 26,650 | <hr/> 7,439 |

2 Turnover, Operating Costs and Operating Surplus (continued)

| (b) Group particulars of income and expenditure from social housing lettings | General Needs 2014 £000 | General Needs 2013 £000 |
|---|--|--|
| Turnover from social housing lettings | | |
| Rent receivable net of identifiable service charges | 27,450 | 26,333 |
| Service charge income | 2,682 | 2,448 |
| | <hr/> | <hr/> |
| Turnover from social housing lettings | 30,132 | 28,781 |
| Expenditure on social housing lettings | | |
| Management | 4,704 | 4,240 |
| Service charge costs | 3,886 | 3,710 |
| Routine maintenance | 5,598 | 5,848 |
| Planned maintenance | 2,013 | 1,796 |
| Major repairs expenditure | 2,053 | 1,859 |
| Bad debts | 281 | 317 |
| Depreciation of housing properties (net of grant) | 2,703 | 2,411 |
| Exceptional items (see note 3) | 481 | 333 |
| Other costs | 771 | 1,091 |
| | <hr/> | <hr/> |
| Operating costs on social housing lettings | 22,490 | 21,605 |
| | <hr/> | <hr/> |
| Operating surplus on social housing lettings | 7,642 | 7,176 |
| | <hr/> | <hr/> |
| Void losses (deducted from turnover) | 126 | 136 |
| | <hr/> | <hr/> |

2 Turnover, Operating Costs and Operating Surplus (continued)

| (b) Association particulars of income and expenditure from social housing lettings | General | General |
|--|---------------|---------------|
| | Needs | Needs |
| | 2014 | 2013 |
| | £000 | £000 |
| Turnover from social housing lettings | | |
| Rent receivable net of identifiable service charges | 27,450 | 26,333 |
| Service charge income | 2,682 | 2,448 |
| | <hr/> | <hr/> |
| Turnover from social housing lettings | 30,132 | 28,781 |
| Expenditure on social housing lettings | | |
| Management | 4,704 | 4,240 |
| Service charge costs | 3,886 | 3,710 |
| Routine maintenance | 5,603 | 5,848 |
| Planned maintenance | 2,013 | 1,796 |
| Major repairs expenditure | 2,053 | 1,859 |
| Bad debts | 281 | 317 |
| Depreciation of housing properties (net of grant) | 2,703 | 2,411 |
| Exceptional items (see note 3) | 481 | 333 |
| Other costs | 771 | 1,091 |
| | <hr/> | <hr/> |
| Operating costs on social housing lettings | 22,495 | 21,605 |
| | <hr/> | <hr/> |
| Operating surplus on social housing lettings | 7,637 | 7,176 |
| | <hr/> | <hr/> |
| Void losses (deducted from turnover) | 126 | 136 |
| | <hr/> | <hr/> |

3 Surplus for the Year

| | 2014 | 2013 |
|--|-------------|-------------|
| Group | £000 | £000 |
| The surplus on ordinary activities before taxation is stated after charging: | | |
| Depreciation of housing properties (net of amortisation of grant) | 2,703 | 2,411 |
| Depreciation of other fixed assets | 457 | 138 |
| Amortisation of goodwill | 67 | - |
| External auditors' remuneration (excluding VAT and expenses): | | |
| - in their capacity as auditors | 28 | 22 |
| - for other services | 10 | 10 |
| Operating lease rentals | | |
| - Land and buildings | - | 263 |
| - Other | 29 | 29 |
| Exceptional items (see note 2b): | | |
| Cost of restructuring | 481 | 128 |
| Dilapidation costs on expiry of lease on office | - | 205 |
| | | |
| Association | 2014 | 2013 |
| | £000 | £000 |
| The surplus on ordinary activities before taxation is stated after charging: | | |
| Depreciation of housing properties (net of amortisation of grant) | 2,703 | 2,411 |
| Depreciation of other fixed assets | 457 | 138 |
| External auditors' remuneration (excluding VAT and expenses): | | |
| - in their capacity as auditors | 25 | 22 |
| - for other services | 10 | 10 |
| Operating lease rentals | | |
| - Land and buildings | - | 263 |
| - Other | 29 | 29 |
| Exceptional items (see note 2b): | | |
| Cost of restructuring | 481 | 128 |
| Dilapidation costs on expiry of lease on office | - | 205 |

4 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. The emoluments include compensation for loss of office to former directors and VAT payable on the services of interim directors. None of the Board members received any remuneration.

| | 2014 £000 | 2013 £000 |
|--|----------------------------|----------------------------|
| Aggregate emoluments payable to directors (including pension contributions and benefits in kind) | 793 | 854 |
| Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind) | 119 | 116 |
| Expenses paid during the year to Board Members | - | - |

The Chief Executive is an ordinary member of the London Borough of Lewisham defined benefit pension scheme and no enhanced or special terms apply. Pension contributions paid to the pension fund for the Chief Executive were £19,501 in the year (2013: £19,768). There are no payments made to separately administered pension schemes.

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

| | 2014 Number | 2013 Number |
|----------------------|------------------------------|------------------------------|
| £60,001 to £70,000 | 4 | 4 |
| £70,001 to £80,000 | 1 | 1 |
| £80,001 to £90,000 | 1 | 1 |
| £90,001 to £100,000 | 1 | 1 |
| £100,001 to £110,000 | 1 | 1 |
| £110,001 to £120,000 | 1 | 1 |

The aggregate amount of compensation payable to directors in respect of loss of office was £nil (2013: £83,938).

5 Employee Information

Group

The average number of full-time equivalent persons, including the Executive (excluding the Board), employed during the year to 31 March 2014:

| | 2014 Number | 2013 Number |
|-------------------------------------|----------------|----------------|
| Office staff | 140 | 128 |
| Caretakers | 25 | 25 |
| Maintenance | 26 | - |
| | <hr/> 191 | <hr/> 153 |
| | <hr/> | <hr/> |
| | £000 | £000 |
| Staff costs (for the above persons) | | |
| Wages and salaries | 6,595 | 5,288 |
| Social security costs | 617 | 496 |
| Pension costs | 665 | 400 |
| | <hr/> 7,877 | <hr/> 6,184 |
| | <hr/> | <hr/> |

Association

The average number of full-time equivalent persons, including the Executive (excluding the Board), employed during the year to 31 March 2014:

| | 2014 Number | 2013 Number |
|-------------------------------------|----------------|----------------|
| Office staff | 128 | 128 |
| Caretakers | 25 | 25 |
| | <hr/> 153 | <hr/> 153 |
| | <hr/> | <hr/> |
| | £000 | £000 |
| Staff costs (for the above persons) | | |
| Wages and salaries | 5,419 | 5,288 |
| Social security costs | 509 | 496 |
| Pension costs | 542 | 400 |
| | <hr/> 6,470 | <hr/> 6,184 |
| | <hr/> | <hr/> |

6 Surplus on Sale of Fixed Assets

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Group and Association | | |
| Disposal proceeds | 2,792 | 825 |
| Less cost of sales | (569) | (224) |
| Less amount repayable to the London Borough of Lewisham under the Right to Buy sharing agreement | (1,803) | (596) |
| | <hr/> 420 | <hr/> 5 |
| | <hr/> | <hr/> |

7 Interest Receivable and Similar Income

| | 2014 £000 | 2013 £000 |
|----------------------------------|--------------|--------------|
| Group | | |
| From bank deposits | 3 | 7 |
| Finance income in pension scheme | 34 | 93 |
| | <hr/> 37 | <hr/> 100 |
| | <hr/> | <hr/> |

| | 2014 £000 | 2013 £000 |
|----------------------------------|--------------|--------------|
| Association | | |
| From bank deposits | 3 | 7 |
| Finance income in pension scheme | 30 | 93 |
| | <hr/> 33 | <hr/> 100 |
| | <hr/> | <hr/> |

8 Interest Payable and Similar Charges

| | 2014 £000 | 2013 £000 |
|---------------------------------------|--------------|--------------|
| Group and Association | | |
| On housing loans | 2,109 | 2,057 |
| Amortisation of loan arrangement fees | 33 | 32 |
| | <hr/> 2,142 | <hr/> 2,089 |
| | <hr/> | <hr/> |

9. Taxation

Phoenix is a charitable housing association and is not liable to Corporation Tax on its charitable activities. Its subsidiary undertaking, Phoenix Agency Services Limited, is subject to Corporation Tax. A reconciliation between Corporation Tax at the standard rate on the surplus on ordinary activities and the actual tax charge has not been provided due to the charitable status of Phoenix. The tax recognised in the income and expenditure account represents a charge net of deferred tax of £1,000 (2012/13: £nil) for Phoenix Agency Services.

10 Tangible Fixed Assets – Housing Properties

| Group and Association | Completed held for letting £000 | Under construction £000 | Total £000 |
|--|--|-------------------------------|----------------|
| Cost | | | |
| At 1 April 2013 | 150,932 | 178 | 151,110 |
| Revision to cost estimate | 969 | - | 969 |
| Additions - works to existing properties | 384 | 422 | 806 |
| Less disposals | (985) | - | (985) |
| At 31 March 2014 | 151,300 | 600 | 151,900 |
| Gap Funding Grant | | | |
| At 1 April 2013 | 39,764 | - | 39,764 |
| Increase in grant due to indexation | 178 | - | 178 |
| Amortisation of grant | (1,457) | - | (1,457) |
| Less disposals | (290) | - | (290) |
| At 31 March 2014 | 38,195 | - | 38,195 |
| Depreciation | | | |
| At 1 April 2013 | 14,742 | - | 14,742 |
| Charge for the period | 4,160 | - | 4,160 |
| Less disposals | (161) | - | (161) |
| At 31 March 2014 | 18,741 | - | 18,741 |
| Net book value: | | | |
| At 31 March 2014 | 94,364 | 600 | 94,964 |
| At 31 March 2013 | 96,426 | 178 | 96,604 |

10 Tangible Fixed Assets – Housing Properties (continued)

The vast majority of housing properties are held freehold. Less than 1% of properties are leasehold. Housing property disposals reflect the cost of improvement works that had been undertaken on properties sold during the year under the Right to Buy and components which have been replaced during the year. Included in the balance of housing properties completed and available for letting is £nil of capitalised interest. There was no interest capitalised during the year (2013: £nil).

The total accumulated grant received to 31 March 2014 was £43.8 million (2013: £34.2 million). Expenditure in respect of the improvement works liability is shown in note 16.

11 Other Fixed Assets – Intangible Assets

| Group | Goodwill £000 |
|--|-------------------------|
| Cost | |
| Opening balance | - |
| Additions | 447 |
| At 31 March 2014 | 447 |
| Depreciation | |
| Opening balance | - |
| Charge for the period | 67 |
| At 31 March 2014 | 67 |
| Net book value: At 31 March 2014 | 380 |
| At 31 March 2013 | - |

12 Other Fixed Assets – Tangible Assets

| Group and Association | Freehold offices* £000 | Commercial property | Motor vehicles £000 | Computer equipment £000 | Office furniture and equipment £000 | Total £000 |
|-------------------------|---------------------------|---------------------|------------------------|----------------------------|--|---------------|
| Cost | | | | | | |
| As at 1 April 2013 | 3,759 | - | 24 | 1,816 | 215 | 5,814 |
| Additions | 2,456 | 151 | - | 574 | 175 | 3,356 |
| Disposals | - | - | - | (1,014) | (88) | (1,102) |
| | <u>6,215</u> | <u>151</u> | <u>24</u> | <u>1,375</u> | <u>302</u> | <u>8,067</u> |
| At 31 March 2014 | 6,215 | 151 | 24 | 1,375 | 302 | 8,067 |
| Depreciation | | | | | | |
| As at 1 April 2013 | - | - | 18 | 1,092 | 155 | 1,265 |
| Charge for the period | 41 | 1 | 6 | 357 | 52 | 457 |
| Disposals | - | - | - | (1,014) | (88) | (1,102) |
| | <u>41</u> | <u>1</u> | <u>24</u> | <u>434</u> | <u>119</u> | <u>619</u> |
| At 31 March 2014 | 41 | 1 | 24 | 434 | 119 | 619 |
| Net book value | | | | | | |
| At 31 March 2014 | 6,174 | 150 | - | 941 | 183 | 7,448 |
| At 31 March 2013 | 3,759 | - | 6 | 724 | 60 | 4,549 |

* Freehold offices were under construction in the year ended 31 March 2013. Part of the building is sublet to the Lewisham Plus Credit Union and Lewisham Council.

13 Debtors

Group

| | 2014 £000 | 2013 £000 |
|---|---------------|---------------|
| Amounts receivable within one year: | | |
| Rental debtors | 2,604 | 2,571 |
| Less provision for bad debts | (1,786) | (1,834) |
| | 818 | 737 |
| Amounts owed by leaseholders | 4,991 | 3,078 |
| Other debtors | 261 | 438 |
| Grants receivable | 2,242 | 11,636 |
| LB Lewisham | - | 18 |
| Input VAT reclaimable | 1,413 | 3,557 |
| Deferred tax | 11 | - |
| Cash in transit | 139 | 143 |
| Prepayments and accrued income | 938 | 2,244 |
| | 10,813 | 21,851 |
| Amounts receivable in more than one year: | | |
| Amounts owed by leaseholders | 518 | 1,528 |
| Total debtors | 11,331 | 23,379 |

Association

| | 2014 £000 | 2013 £000 |
|-------------------------------------|--------------|--------------|
| Amounts receivable within one year: | | |
| Rental debtors | 2,604 | 2,571 |
| Less provision for bad debts | (1,786) | (1,834) |
| | 818 | 737 |
| Amounts owed by leaseholders | 4,991 | 3,078 |
| Other debtors | 260 | 437 |
| Grants receivable | 2,242 | 11,636 |
| LB Lewisham | - | 18 |
| Input VAT reclaimable | 1,413 | 3,557 |
| Cash in transit | 139 | 143 |
| Prepayments and accrued income | 938 | 2,244 |
| | 10,801 | 21,851 |

13 Debtors (continued)

Association

Amounts receivable in more than one year:

Amounts owed by leaseholders

518

1,528

Total debtors

11,319

23,379

14 Cash at Bank and in Hand

There is a charge in favour of the lender on cash at bank and in hand which amounted to £1,286,000 at 31 March 2014 (2013: £435,000).

15 Creditors: Amounts falling due within one year

| Group | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Rents prepaid | 858 | 745 |
| Trade creditors | 1,541 | 1,455 |
| Corporation tax payable | 12 | - |
| Other taxes and social security costs | 222 | 2 |
| Other payroll deductions | 3 | 3 |
| Right to buy sale clawback and VAT payable to Lewisham Council | 2,740 | 2,301 |
| Other creditors and accruals | 2,056 | 3,373 |
| Improvement works | 12,107 | 13,354 |
| Deferred income | 219 | 1,131 |
| | 19,758 | 22,364 |

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

| Association | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Rents prepaid | 858 | 745 |
| Trade creditors | 1,532 | 1,455 |
| Amount due to subsidiary undertaking | 64 | 5 |
| Other taxes and social security costs | 177 | 2 |
| Other payroll deductions | 3 | 3 |
| Right to buy sale clawback and VAT payable to Lewisham Council | 2,740 | 2,301 |
| Other creditors and accruals | 2,056 | 3,373 |
| Improvement works | 12,107 | 13,354 |
| Deferred income | 219 | 1,131 |
| | <hr/> | <hr/> |
| | 19,756 | 22,369 |
| | <hr/> | <hr/> |

16 Creditors: Amounts falling due after more than one year

| Group and Association | 2014 £000 | 2013 £000 |
|------------------------------|--------------|--------------|
| Improvement works | 12,432 | 25,576 |
| Loans | 52,235 | 52,202 |
| | <hr/> | <hr/> |
| | 64,667 | 77,778 |
| | <hr/> | <hr/> |
| Group and Association | 2014 | 2013 |
| Improvements works | £000 | £000 |
| At 1 April | 38,930 | 67,930 |
| Revision to cost estimate | 969 | (4,833) |
| Less expenditure in period | (15,360) | (24,167) |
| | <hr/> | <hr/> |
| At 31 March | 24,539 | 38,930 |
| | <hr/> | <hr/> |
| Amount due within one year | 12,107 | 13,354 |
| | <hr/> | <hr/> |

16 Creditors: Amounts falling due after more than one year (continued)

| Group and Association | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Loans repayable other than by instalments as follows: | | |
| In five years or more | 53,000 | 53,000 |
| Less issue costs | (765) | (798) |
| | <hr/> | <hr/> |
| | 52,235 | 52,202 |
| | <hr/> | <hr/> |

In addition to the above debt, at 31 March 2014 Phoenix had undrawn loan facilities of £17m (2013: £17m). The loan facility is secured on the Association's housing stock.

The loans are provided by Barclays Bank plc. Interest is payable on loans at fixed rates of interest as follows:

| | | |
|------|-------|------------------------|
| £5m | 5.12% | Fixed to December 2022 |
| £10m | 5.08% | Fixed to March 2023 |
| £5m | 4.76% | Fixed to March 2035 |
| £5m | 4.83% | Fixed to March 2035 |
| £10m | 4.71% | Fixed to March 2035 |
| £5m | 5.05% | Fixed to March 2022 |

17 Share Capital – Non Equity

| | 2014 £ | 2013 £ |
|--------------------------|-----------|-----------|
| £1 shares | | |
| At 1 April | 2,468 | 1,880 |
| Issued during the period | 152 | 588 |
| | <hr/> | <hr/> |
| At 31 March | 2,620 | 2,468 |
| | <hr/> | <hr/> |

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 Industrial and Provident Society status, the maximum shareholding per member is 1 share.

18 Reserves

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Group | | |
| Revenue reserve at 1 April | 23,952 | 19,196 |
| Surplus for the period | 5,670 | 5,455 |
| Actuarial gain/(loss) recognised in Statement of Total Recognised Surpluses and Deficits | 530 | (699) |
| | <hr/> | <hr/> |
| At 31 March | 30,152 | 23,952 |
| | <hr/> | <hr/> |
| | 2014 £000 | 2013 £000 |
| Association | | |
| Revenue reserve at 1 April | 23,952 | 19,196 |
| Surplus for the period | 5,665 | 5,455 |
| Actuarial gain/(loss) recognised in Statement of Total Recognised Surpluses and Deficits | 488 | (699) |
| | <hr/> | <hr/> |
| At 31 March | 30,105 | 23,952 |
| | <hr/> | <hr/> |

19 Capital Commitments

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Group and Association | | |
| Capital expenditure that has been contracted for | 19,017 | 36,860 |
| | <hr/> | <hr/> |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for | 23,843 | 4,751 |
| | <hr/> | <hr/> |
| Phoenix expects to finance the above expenditure by: | | |
| Grant funding | 9,492 | 8,113 |
| Loan facilities | 16,258 | 4,500 |
| Other cash flows | 17,110 | 28,998 |
| | <hr/> | <hr/> |

20 Notes to the Cash Flow Statement

(a) Reconciliation of operating surplus to net cash inflow from operating activities

| | 2014 | 2013 |
|--|-------------|-------------|
| | £000 | £000 |
| Operating surplus | 7,356 | 7,439 |
| Depreciation net of grant amortisation | 3,227 | 2,549 |
| Pension adjustment | 199 | 161 |
| Decrease/(increase) in debtors | 522 | (3,771) |
| (Decrease)/increase in creditors | (1,670) | 1,578 |
| | <hr/> | <hr/> |
| | 9,634 | 7,956 |
| | <hr/> | <hr/> |

(b) Reconciliation of net cash inflow to movement in net debt

| | 2014 | 2013 |
|--|-------------|-------------|
| | £000 | £000 |
| Increase/(decrease) in cash in the period | 972 | (630) |
| Cash inflow from increase in debt | - | (18,000) |
| | <hr/> | <hr/> |
| Change in net debt resulting from cash flows | 972 | (18,630) |
| | <hr/> | <hr/> |
| Net debt at 1 April | (52,565) | (33,935) |
| | <hr/> | <hr/> |
| Net debt at 31 March | (51,593) | (52,565) |
| | <hr/> | <hr/> |

(c) Analysis of changes in net debt

| | At 31 March | Cash Flow | At 31 March |
|----------------------------------|--------------------|------------------|--------------------|
| | 2013 | £000 | 2014 |
| | £000 | | £000 |
| Cash at bank and in hand | 435 | 972 | 1,407 |
| Housing loans due after one year | (53,000) | - | (53,000) |
| | <hr/> | <hr/> | <hr/> |
| | (52,565) | 972 | (51,593) |
| | <hr/> | <hr/> | <hr/> |

21 Operating Lease Commitments

Group and Association

At 31 March 2014 Phoenix had annual commitments under non-cancellable operating leases as set out below:

| | 2014 | | 2013 | |
|--------------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | Land and Buildings £000 | Other £000 | Land and Buildings £000 | Other £000 |
| Operating leases which expire: | | | | |
| Within one year | - | 29 | 263 | - |
| In one to two years | - | - | - | - |
| In two to five years | - | - | - | 29 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | 29 | 263 | 29 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

22 Units Owned or Under Management

Group and Association

| | 2014 Number | 2013 Number |
|---|----------------|----------------|
| Units for rent at 1 April | | |
| General needs housing accommodation | 5,461 | 5,472 |
| Less freehold sales | (17) | (7) |
| Less leasehold sales | (19) | (2) |
| Less expiry of long leasehold | - | (2) |
| Units acquired from Council | 2 | - |
| | <hr/> | <hr/> |
| Units for rent at 31 March | 5,427 | 5,461 |
| All general needs properties are social housing | <hr/> | <hr/> |
| Leaseholders | 823 | 811 |
| | <hr/> | <hr/> |

During the year 7 leaseholders exercised their right to acquire the freehold of their property.

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 252 Phoenix tenants (2013: 252) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £5.04 (2013: £5.04). Tenants receiving housing benefit are funded by Supporting People Grant which is paid directly to Linkline. For tenants not on housing benefit, Phoenix collects the charge on behalf of Linkline as part of the weekly charge. Phoenix has inherited from the Council a commitment to fund units in certain blocks designated for use by the elderly but occupied by other client groups due to low demand for this type of property.

23 Pensions

(a) London Borough of Lewisham Pension Scheme

The information disclosed below relates to the Group's participation in the London Borough of Lewisham pension scheme. The information relating to the Association's participation in the scheme has not been separately disclosed on the grounds of materiality. The scheme is a defined benefits scheme based upon employees' final salaries. The main financial assumptions underlying the valuation at 31 March 2014 were as follows:

| | 2014 % pa | 2013 % pa |
|---------------------------|--------------|--------------|
| Pension increases | 2.8% | 2.8% |
| Salary increases | 4.1%* | 5.1%* |
| Expected return on assets | 5.8% | 5.0% |
| Discount rate | 4.3% | 4.5% |

* salary increases are assumed to be 1% per annum until 31 March 2016 reverting to the long term assumption shown thereafter (2013: salary increases were assumed to be 1% per annum until 31 March 2016 reverting to the long term assumption shown thereafter).

Mortality

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

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 21.7 years | 24.0 years |
| Future Pensioners | 24.4 years | 26.7 years |

Historic Mortality

Life expectancy for the prior year end is based on the SAPS year of birth tables. The allowance for future life expectancy is shown below:

| | Prospective Pensioners | Pensioners |
|---------------|---|---|
| 31 March 2013 | Year of birth, medium cohort and 1% minimum improvement from 2007 | Year of birth, medium cohort and 1% minimum improvement from 2007 |

Age ratings were applied to the SAPS tables based on membership class.

Fair value of employer assets

The fair values of each main class of assets held by the Fund and the expected rates of return for the ensuing year are set out in the following table.

| | 2014 | | 2013 | |
|--------------|---------------|----------|---------------|----------|
| | Assets | Expected | Assets | Expected |
| | £000 | return | £000 | return |
| | | % pa | | % pa |
| Equities | 13,491 | 6.6% | 10,144 | 5.7% |
| Bonds | 3,679 | 3.5% | 2,463 | 3.0% |
| Property | 1,549 | 4.8% | 1,159 | 3.9% |
| Cash | 194 | 3.7% | 724 | 3.0% |
| Total | 19,363 | | 14,490 | |

23 Pensions (continued)

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

| Reconciliation of fair value of employer assets | 2014 £000 | 2013 £000 |
|---|---------------|---------------|
| Opening Fair Value of Employer Assets | 14,490 | 12,698 |
| Acquisitions | 3,110 | - |
| Expected return on assets | 869 | 717 |
| Contributions by members | 129 | 115 |
| Contributions by the employer | 403 | 300 |
| Actuarial gain | 571 | 847 |
| Benefits paid | (209) | (187) |
| Closing Fair Value of Employer Assets | 19,363 | 14,490 |

| Amounts recognised in the income and expenditure account | 2014 £000 | % of pay | 2013 £000 | % of pay |
|--|--------------|-------------|--------------|-------------|
| Current service cost | 542 | 27.9 | 392 | 22.8 |
| Interest cost | 835 | 43.5 | 624 | 36.3 |
| Expected return on employer assets | (869) | (45.3) | (717) | (41.9) |
| Past service cost | - | - | 69 | 4.0 |
| Losses on curtailment and settlements | 60 | 3.9 | - | - |
| Total | 568 | 29.0 | 368 | 21.4 |
| Actual Return on Plan Assets | 703 | n/a | 1,565 | n/a |

| Analysis of amount recognised in statement of total recognised surpluses and deficits | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Actual return less expected return on pension scheme assets | 571 | 847 |
| Changes in assumptions underlying the present value of the scheme liabilities | (30) | (1,546) |
| Actuarial gain/(loss) recognised in statement of total recognised surpluses and deficits | 541 | (699) |
| Deferred tax charge | (11) | - |
| | 530 | (699) |

| Amount recognised in balance sheet | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 | 2010 £000 |
|-------------------------------------|--------------|--------------|--------------|--------------|----------------|
| Fair value of employer assets | 19,363 | 14,490 | 12,698 | 12,155 | 10,706 |
| Present value of funded liabilities | (20,413) | (15,361) | (12,802) | (11,799) | (15,324) |
| Deferred tax asset | 100 | - | - | - | - |
| Net (liability)/asset | (950) | (871) | (104) | 356 | (4,618) |
| Amount in the balance sheet: | | | | | |
| Liabilities | (950) | (871) | (104) | - | (4,618) |
| Assets | - | - | - | 356 | - |
| Net (liability)/asset | (950) | (871) | (104) | 356 | (4,618) |

23 Pensions (continued)

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

| Amount recognised in statement of total recognised surpluses and deficits | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 | 2010 £000 |
|---|----------------------|----------------------|--------------|--------------|--------------|
| Experience gains/(loss) on Assets | (59) | 847 | (511) | 242 | 2,208 |
| Experience gains/(loss) on Liabilities | 283 | 4 | (131) | 1,993 | - |
| Reconciliation of defined benefit obligation | 2014 £000 | 2013 £000 | | | |
| Opening Defined Benefit Obligation | 15,361 | 12,802 | | | |
| Acquisition | 3,669 | - | | | |
| Current service cost | 542 | 392 | | | |
| Interest cost | 831 | 624 | | | |
| Contribution by members | 129 | 115 | | | |
| Actuarial losses | 30 | 1,546 | | | |
| Past service cost | - | 69 | | | |
| Losses on curtailment and settlements | 60 | - | | | |
| Benefits paid | (209) | (187) | | | |
| Closing Defined Benefit Obligation | 20,413 | 15,361 | | | |

The net cost to the Group for the year was a cost of £568,000 (2013: cost of £368,000) covering 57 employees (2013: 51 employees). The contribution rate of Phoenix for the year ended 31 March 2014 was 16.9% (2013: 16.9%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2013: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2015 are estimated to be £385,000.

(b) Social Housing Pension Scheme

Phoenix participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and contracted out of the State Pension scheme. Phoenix has elected to close the career average revalued earnings with a 1/60th accrual rate benefit structure to new members from 1 August 2014 and operate the defined contribution structure. During the accounting period Phoenix paid contributions at the rate of 10.8% (2013: 8.9%). Member contributions were at the rate of 7.3% (2013: 6%)

As at the balance sheet date there were 26 active members of the Scheme employed by Phoenix. The annual pensionable payroll in respect of these members was £1.2 million. Phoenix continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

23 Pensions (continued)

(b) Social Housing Pension Scheme (continued)

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

The past service deficit contribution payable by Phoenix is £3,624 each year, increasing annually by 3%, until 2026. Phoenix has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2013. At this date the estimated employer debt for Phoenix was £1,252,673 (30 September 2012: £970,000).

24 Legislative Provisions

Phoenix was incorporated under the Industrial and Provident Societies Act 1965 (30057R) on 15 March 2006. It is a Registered Provider of Social Housing registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008, registered number L4505.

25 Related Party Transactions

Tenants and Leaseholders

Phoenix is a resident-led housing association and at 31 March 2014, seven of the association's fifteen Board members were Phoenix tenants or leaseholders. Their tenancies or leases have been granted on the same terms as for all other tenants and leaseholders of the association and housing management procedures, including those relating to the management of arrears, have been applied consistently.

Local authority

Three 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.

25 Related Party Transactions (continued)

Phoenix Community Housing has traded with Phoenix Agency Services, a wholly owned subsidiary of Phoenix which provides labour for the repairs and maintenance of Phoenix properties. In accordance with the requirements of the Accounting Direction for Private Registered Providers of Social Housing 2012, transactions between Phoenix and Phoenix Agency Services (which is not registered with the HCA) were as follows:

| | 2014 £'000 |
|--|-----------------------------|
| Amounts charged to Phoenix Community Housing for repair services | 1,663 |
| Recharge to Phoenix Agency Services for central services | <u>177</u> |

There are no other related party transactions requiring disclosure.

26 Contingent Liabilities

Pensions indemnity

Under the terms of its repairs and maintenance term partnering contract with Willmott Dixon Partnerships Limited (WDP), Phoenix has indemnified WDP against future increases in pension contributions to the London Borough of Lewisham pension scheme in respect of staff transferred to WDP from the London Borough of Lewisham under TUPE rules, to a maximum of 25% of the relevant staff salaries. Phoenix has also indemnified WDP in respect of any additional payments to the pension scheme arising on termination or expiry of the contract with WDP. The Council has confirmed that the transfer of WDP staff to the new subsidiary did not trigger a termination payment to the scheme.

Counter indemnity and parent guarantee

The Council as the Administering Authority of the London Borough of Lewisham pension scheme has agreed to the subsidiary undertaking (see note 27) 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.

27 Subsidiary Undertaking

On 8 March 2014 Phoenix established a wholly owned non-registered and non-regulated subsidiary, Phoenix Agency Services Limited. The investment in the unlisted subsidiary comprises £5,000 share capital.

Phoenix Agency Services provides labour for the repairs and maintenance of Phoenix Community Housing properties and commenced trading on 1 July 2013. The profit for the period and net assets at 31 March 2014 were:

| | 2014 £'000 |
|--|---------------|
| Net assets at 31 March | 52 |
| Profit after tax for the period ended 31 March 2014 | 5 |