



## **Board Report and Financial Statements**

**Year ended  
31 March 2015**

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## Board Members, Executive and Advisors

**Board members**

Pat Fordham, Chair, MBE  
David Cummins, Vice Chair  
Pat Crawford  
Councillor Janet Daby  
Anne McGurk  
Councillor Alan Hall  
Andrew Harmer  
Stephen Howlett  
Peter Lewis  
Margaret McCarthy  
Phil Newsam  
Peace Ayiku-Nartey

The following Board members also served during the period:

Councillor Julia Fletcher (to June 2014)  
Paul Bloss (to January 2015)  
Kevin Donnelly (to January 2015)  
Jay Clahar (to September 2014)

**Executives**

Jim Ripley, Chief Executive  
Nick Edwards, Assistant Director of IT & Facilities  
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

**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  
28<sup>th</sup> Floor  
1 Churchill Place  
London  
E14 5HP

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

**Solicitors**                      Trowers & Hamlin  
3 Bunhill Row  
London  
EC1Y 8YZ

**Status**                          Phoenix Community Housing Association (Bellingham and Downham) Limited has charitable status. It is a registered 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 2015.

### **Principal Activity**

Phoenix Community Housing's principal activities are to 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 13 non-executive members comprising 7 resident board members, 2 Council board members and 4 independent board members. Resident board members are elected by a ballot of members following a selection process. 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. Following a rule change agreed in September 2014, the number of resident Board members will reduce to 6 from September 2015 and the Board will consist of 12 members.

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, compliance with the adopted code of governance, and reviewing the effectiveness of the risk management framework and system of internal controls. It receives reports on internal controls and recommendations for improvement from both internal and external auditors and meets privately with the internal and external auditors at least once a year. The 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 the review of the appraisal assumptions to be used for the acquisition and development of new homes, and recommends to the Board any bids for grant funding to the Greater London Authority and other funding agencies.

## Phoenix Community Housing Board Report (continued)

Day to day management of the Association is delegated to the Executive 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's (NHF) 2010 Code of Governance, with the following exceptions:

Size of Board should be no more than 12	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 was approved at the 2014 Annual General Meeting. Currently the Board comprises 13 members and will reduce to 12 in September 2015.
Board members should be selected	Resident Board members are elected by shareholders. The Board has introduced a selection process for residents who want to become Board members to approve candidates who can stand for election.  Lewisham Council now nominates 2 members to the Board following the agreement to reduce the overall size of the Board to 12 members.
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.

The NHF Code of Governance was reviewed and updated in February 2015. The Board considered the new Code of Governance in May 2015 and has agreed an action plan to address areas of non-compliance with the new code.

### Community Empowerment Strategy

The Association is a Community Gateway whose members are all tenants and leaseholders. Membership of Phoenix at 31 March 2015 was 2,605.

Following a review of the Community Empowerment Strategy in 2012/13, residents were invited to vote on the creation of three new consultative forums called 'Community Links', with the intention of improving the opportunities for residents to become involved and access a 'Community Chest' fund of £100,000 each year to spend on the local community. Over 1,700 residents voted and 88% were in favour of the proposals and the Community Links were set up in November 2013.

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

The Community Chest fund of £100,000 each year is open to local groups to bid for grants for local projects. Tenants at a joint Community Links event make the final decisions about which projects are funded by voting on their priorities for funding from the applications submitted.

A Resident Scrutiny Panel has been set up to provide a specific resident forum to scrutinise Phoenix's service performance and help to improve services for all residents in line with arrangements set out in the Homes and Communities Agency Regulatory Framework. The Resident Scrutiny Panel is an independent body of residents working together to check and challenge our services and reports its findings and makes recommendations directly to the Board and Executive Team.

The Board also agreed to establish a new Gateway Committee, for which recruitment and training took place during 2014/15. The Phoenix Gateway Committee (PGC) provides a key link between the Board, the Community Links and shareholding members, and considers an annual programme of strategic matters proposed by the Board. The PGC has an advisory role and provides a sounding board and forum for discussion on specific Phoenix proposals and services. The aim is to be both inclusive and promote joint working at all levels of the organisation, and also to assist in the development of succession for resident members to the Board.

Membership of the PGC consists of at least one member from each Community Link and a further four Tenant members and one Leaseholder member drawn from the shareholding membership. In this way ordinary members can directly contribute to the strategic development of Phoenix as well as enhance their own capacity as residents. The PGC also includes three Tenant Board members to ensure an effective relationship between the Board and Committee and one member of staff, recognising that staff play a vital role in delivering services and are keen to work with residents in steering the strategic direction they take.

A Policy Working Group comprising of residents reviews and comments on proposed policies prior to consideration by the Board. The Policy Working Group reviewed 24 policies during the year.

## **Operating and Financial Review**

### **Description of Operations**

Phoenix currently owns and manages 5,388 tenanted properties and 842 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.

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

- Make governance, business and service improvements based on resident insight, feedback and scrutiny, and 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.
- Deliver priorities for Equality, Diversity and Community Integration (cohesion) to make sure we meet changing needs and help build sustainable communities in our area.
- Deliver our ICT Strategy and complete the Core Business System implementation so we obtain efficiencies and Value for Money.
- Deliver the "Aiming Higher Programme" learning to improve how we work and enhancing customer experience across Phoenix. We will provide appropriate leadership and development across Phoenix to support the delivery of our overall objectives.

### **3. Homes and environments - opportunities for local people**

- Support and monitor the delivery of our new repairs service to ensure it increases resident satisfaction and saves money.
- Deliver our Asset Management and Development Strategies and explore new business opportunities to improve our community, build new homes and strengthen our business.
- Deliver our Community Regeneration Strategy and seek to maximise the positive impact it will bring to our communities by our own investment and by attracting other inward investment.
- We will support our residents in giving them the tools to make the most of their money, and access education, health services and employment to further improve the quality of their lives.
- Develop our community resources to enable local businesses and community projects to develop and grow to be sustainable, commercially viable and benefit the local community.

### **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.
- 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.
- Ensure we assess the environmental impact of our services and support our community and residents to minimise their carbon footprint.

## **Regulation**

Housing associations and other social landlords (registered providers of social housing) must comply with a regulatory framework including national standards 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



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

The HCA publishes its assessment of providers' compliance with the Governance and Financial Viability standard. The most recent regulatory assessment published in August 2014 by the HCA confirmed that Phoenix met the requirements set out in this standard.

In January 2015 the HCA issued some important revisions to the Regulatory Framework. These changes affect the Governance and Financial Viability Standard and the Rent Standard. In addition, the HCA issued a Code of Practice to support the Governance and Viability Standard, revised its Rent Guidance, and made significant changes to the rules governing consents, disposals, and the registration of new providers. All these changes took effect on 1 April 2015.

The overall effect is a much greater emphasis on the identification and management of risk, both on the part of providers in running their own organisations and of the HCA in regulating the sector. Phoenix has reviewed its approach to risk management and the Board approved a new risk management framework in November 2014, including an assessment of risk appetite based on our existing Corporate Plan.

Providers will be required to maintain a register of assets and liabilities and to subject their business plans to rigorous stress testing. In reviewing and approving the latest business plan, the Board proposed and considered a number of stress tests and the mitigating action that could be taken in response to potential risks or a combination of risks crystallising. Work has begun on completing an asset and liability register.

The Rent Standard and Guidance have also been amended to reflect the Secretary of State's direction of May 2014: that is, the annual rent uplift will be based on the Consumer Prices Index (CPI) plus 1% and the former £2 allowance for rent convergence will be revoked. The Government announced further changes to the rent framework as part of its budget on 8 July 2015. Rent will be reduced by 1% in cash terms in each of the next four years (2016/17 to 2019/20), reverting to increases based on CPI plus 1% in 2020.

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).

Following consultation with residents, the Board agreed a set of 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 have also been developed and agreed by the Board. An annual report setting out our compliance with the standards is provided to residents and updates provided to the Board every six months.

## 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 approved the complaints process whereby complaints will be considered by Phoenix officers in a two stage process, following which a resident can take their complaint to the designated person or the Ombudsman if they are still not satisfied with the outcome. The Board has also agreed the criteria for setting up a Tenants' Panel for considering complaints if tenants wish to undertake this role in the future.

### Performance

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's achievements in 2014/15 were substantial including completion of another year of the major works programme, securing planning permission for an extra care scheme at Hazelhurst Court, obtaining funding for the refurbishment of The Fellowship Inn, bringing the management of the repairs service in-house and being voted 3rd best landlord in Britain (24 Housing). As well as establishing the new Phoenix Gateway Committee, we established the Phoenix Academy, a training programme open to all residents offering 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. Both these initiatives will assist with resident Board member succession in the future.

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	2014/15	2013/14	2012/13	2011/12	2010/11	Comment
Tenant satisfaction with Phoenix as a landlord	n/a *	n/a *	84%	n/a *	74%	Survey undertaken in 2012 recorded an increase in satisfaction with Phoenix as a landlord. * no survey undertaken in the year
Rent collected as a percentage of gross rent receivable (excluding voids)	99.9%	100.4%	99.5%	100.1%	100.8%	Performance slightly below 2013/14 but was above target of 99.5%. The Income Team continues to work well with the Council's housing benefit department in response to the Government's welfare reforms.

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

Performance indicator	2014/15	2013/14	2012/13	2011/12	2010/11	Comment
Leaseholder service charges - amounts collected in year	£3.1m	£1.6m	£1.7m	£733,000	£530,000	Performance slightly below target in respect of major works recharges but significantly improved on 2013/14 following restructure of the Home Ownership team.
Total number of voids at 31 March	25	30	24	41	68	Reduction in number of void properties at end of year; average during the year has been 19.
Average number of days taken to relet a property (short term voids)	27	28	25	27	27	Performance in 2014/15 just above target of 25 days.
Responsive repairs completed on time	97%	97%	98%	98%	99%	Performance on repairs completed on time has been maintained at high levels throughout the year, although the percentage of repairs completed right first time was slightly below target. Continued 100% of gas safety checks completed within time
Responsive repairs completed right first time	88%	89%	89%	89%	95%	
Gas safety checks completed on time	100%	100%	100%	100%	100%	
Percentage of homes meeting Decent Homes Standard	100%	100%	100%	85%	68%	One property not meeting the decent homes standard was sold in April 2015
Complaints responded to on time	42%	63%	95%	96%	81%	New complaints policy introduced focussing on resolution of complaints. Complaints responded to on time was below target in the first two quarters of the year as new processes were introduced but has been above target since.
Complaints escalated above stage 1	8%	8%	8%	14%	11%	The Customer Resolution team continue to ensure 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 to 4.8% (5.2% at 31 March 2014) but remain high compared to similar associations. Former tenant arrears have reduced compared to 2013/14 following decisions by the Board to write off £344,000 of the arrears owed by former tenants which are not collectable. The reduction of current and former tenant arrears is a continued area of focus while also providing support to vulnerable residents (for example, benefit advice and debt counselling through Citizens Advice).

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

Rents were increased in April 2014 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.

The current repairs contract came to an end in March 2015. Following a repairs visioning exercise involving residents in shaping how the repairs service should be delivered, the Board carried out an options appraisal and agreed to bring the management of the repairs service in-house to its repairs subsidiary, Phoenix Agency Services, from April 2015. New information technology systems to support the repairs operation were successfully implemented and contracts for materials, sub-contractors, vans, and equipment procured to enable the new service to go live as planned on 1 April 2015.

The programme of major works and improvements to the housing stock continued during the year with total expenditure of £13 million to March 2015 principally on external works to properties, in line with the budget for the year. A programme of environmental improvements has also begun. The final gap funding towards the major works programme was received in line with the agreement with the Department for Communities and Local Government at transfer.

Phoenix works in partnership with the Council and other agencies to improve the area and quality of life of people living and working in the Phoenix area. The Green Man head office and community facility opened in November 2013 and has successfully delivered the aims of the building to have a positive impact on the community, with the community hub providing a range of activities: a community café, a new branch office for the Lewisham Plus Credit Union and a training kitchen provided by Lewisham Council. There were over 26,000 visitors to the Green Man during 2014/15.

The number of homes managed by Phoenix reduced during the year due to the impact of sales of property through the Right to Buy. In response, Phoenix is starting to develop new homes and services. Phoenix secured grant funding through 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 Hazelhurst Court. The scheme is also being supported with grant funding from the London Borough of Lewisham. Design work progressed during the year and planning permission was obtained in March 2015, allowing the first grant claim to be made. The Board also approved a bid to the Greater London Authority (GLA) for grant funding under the 2015-18 Mayor's Housing Covenant to support the development of 51 social and affordable homes. This was not successful but the Board continue to look at opportunities to develop new affordable homes with potential grant funding through the GLA's Continuous Market Engagement programme.

The Board approved the sale of one long term void property where the estimated sales value significantly exceeded its net present value as social housing. This sale completed in April 2015 and the sale proceeds will be used to develop or acquire new social housing in accordance with the Transfer Agreement with Lewisham Council. The first acquisition of a property funded in this way was completed in the year.

An application to the Heritage Lottery for grant funding to refurbish the Fellowship Inn was successful with an award of £4 million of grant funding. This will be used to provide a community resource and training and employment opportunities. Design and feasibility work on the project commenced in January 2015.

During the year Phoenix employed six apprentices through the Mayor of Lewisham's apprenticeship scheme and partner contractors have employed 15 local people as trainees and apprentices. A Building Lives Academy was also launched in January 2015 from one of the community centres.

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

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 to properties 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 Board approved restructures of the Customer Experience and Information Technology teams in order to adapt to changes in the way customers access our services as a result of the move to the Green Man and to support the new repairs service post April 2015 and the approved IT strategy. The Board also agreed a restructure of the Asset Management team to create a Property and New Business department, reflecting the changing nature of the work within the team and focus on new development and physical regeneration opportunities. These restructures commenced in March 2015 and are expected to complete in July. The estimated costs of the restructure (£456,000) have been treated as an exceptional item in the financial statements.

A significant investment in staff development has been made during the year through a bespoke management development programme and intensive customer experience training, as part of a wider cultural change programme - 'Phoenix 7.0'. The programme aims to improve the customer experience for our residents, help staff to be more customer and performance focussed, and make Phoenix a great place to work.

Phoenix Community Housing implemented pensions auto-enrolment for its employees as planned in August 2014. The Board agreed to close the Social Housing Pension Scheme (SHPS) – career average revalued earnings (CARE) structure to new members and offer the SHPS defined contribution structure, in view of the risks that the defined benefit nature of the CARE scheme presents. The auto-enrolment staging date for the subsidiary, Phoenix Agency Services, is July 2017.

Membership of the enhanced membership scheme, 'Gold Membership', for shareholding members in association with the Co-operative Group continued to grow, although new members were below the target set by the Board. 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 some changes to the scheme and a publicity and promotion campaign to increase membership, to be launched in the new financial year.

## **Financial Performance**

The financial statements cover the year from 1 April 2014 to 31 March 2015.

The consolidated income and expenditure account on page 39 shows an operating surplus of £7.1 million (2014: £7.4 million) on turnover of £34.1 million (2014: £32.7 million). The main reason for the increase in turnover was the rent increase in April 2014 based on the government's rent framework. The reduction in operating surplus was due to higher void repairs included under routine maintenance costs, reflecting a greater proportion of work which was not related to component replacement and hence charged to the income and expenditure account, and increased legal and insurance costs included under management costs. The property insurance premium increased as a result of the recent rise in construction costs.

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

Recharges of major works to leaseholders of £1.5 million (2014: £1.5 million) are included under non-social housing activities. The related works are included in operating costs under non-social housing activities. Some of the major works are not recoverable under the terms of the leases.

The operating surplus was reduced by exceptional costs of £456,000 associated with restructuring (2014: £481,000). After the surplus on property sales through the Right to Buy and Right to Acquire of £443,000 (2014: £420,000) and interest payable net of other finance income of £2.1 million (2014: £2.1 million), the surplus for the year was £5.4 million (2014: £5.7 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 38 properties under the Right to Buy of which its share of the net sales proceeds was £1.0 million (2014: £1.0 million). In addition, the Association sold one property under the Right to Acquire.

The consolidated balance sheet is shown on page 41. 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 £152.1 million (2014: £151.3 million), primarily the requirement to improve the housing stock net of the unamortised grants received of £36.4 million (2014: £38.2 million) towards the cost of these works. Housing properties also include the new homes under construction (£601,000 net of Social Housing Grant) and one property for market rent purchased during the year.

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. This reduced to £13.1 million at 31 March 2015 with one year of the external major works programme remaining.

Goodwill of £291,000 (2014: £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 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.

Debtors include £4.4 million (2014: £5.5 million) in respect of major works recharged to leaseholders. This has been split between amounts due within one year and after more than one year, the latter where the leaseholder has entered into a repayment agreement. 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) career average revalued earnings (CARE) and defined contribution structures, 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 SHPS CARE scheme structure was closed to new members in August 2014, the date auto-enrolment applied to Phoenix Community Housing, and new staff offered the SHPS defined contribution structure. The share of the LGPS surplus or deficit is included on the balance sheet in accordance with accounting standards and was a liability of £2.6 million at 31 March 2015 (2014: £950,000), due in particular to the change in discount rate used to assess the pension liability. 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%.

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

Cash inflows and outflows during the year appear in the cash flow statement on page 43. The cash inflow from operating activities was £11.5 million (2014: £9.6 million). During the year the Association spent £12.7 million (2014: £14.5 million) on the major works and improvement programme, including the share of VAT recoverable under a sharing agreement with Lewisham Council, the construction of new homes and extensions of leases in properties where Phoenix has a leasehold interest. This was funded by operating cash flow, grants of £2.3 million (2014: £9.6 million) being the final instalment of the gap funding grant from the Department for Communities and Local Government and £500,000 drawn from our loan facility.

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

<b>£000</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
Turnover	34,054	32,659	34,089	29,716	27,960
Operating surplus	7,053	7,356	7,439	6,202	8,647
Net Interest payable	(2,068)	(2,105)	(1,989)	(1,551)	(1,218)
Surplus/(deficit) on sale of properties	443	420	5	(33)	3
Surplus for the period	5,439	5,670	5,455	4,618	7,432
Operating margin %	21%	23%	22%	21%	31%
Housing properties	93,831	94,964	96,604	104,327	110,372
Other fixed assets	8,110	7,448	4,549	856	667
Goodwill	291	380	-	-	-
Net current assets/(liabilities)	(7,466)	(7,020)	1,450	(13,021)	(3,255)
Improvement works liability falling due after more than one year	(5,310)	(12,432)	(25,576)	(38,690)	(64,364)
Disposal proceeds fund	(200)	-	-	-	-
Loans	(52,768)	(52,235)	(52,202)	(34,170)	(28,637)
Pensions (liability)/ asset	(2,614)	(950)	(871)	(104)	356
Reserves	33,871	30,152	23,952	19,196	15,138
Net cash inflow from operating activities	11,539	9,634	7,956	6,996	9,377
Net interest payable	(2,156)	(2,078)	(2,049)	(1,782)	(1,163)
Capital expenditure	(13,683)	(17,783)	(29,360)	(18,469)	(25,944)
Sale proceeds net of amounts payable to LBL	1,061	1,628	223	(17)	42
Grants	2,333	9,571	4,600	8,293	7,754
Loans drawn down (net)	500	-	18,000	5,500	8,750
Number of properties					
General needs	5,388	5,427	5,461	5,472	5,479
Leaseholders	842	823	811	809	809



## **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 2015 the Association had borrowed £53.5 million under this facility. In order to support the Board's plans for the development of new homes, a restatement of the loan facility was agreed with Barclays Bank to create a tranche of development funding within the existing £70 million 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 2015 £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 82% over the next 10 years, in line with the Board's treasury management policy, and averages 77% over the term of the loan. The fixed interest rates range from 4.8% to 5.2%.

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 2015, the Association met these financial covenants.

### **Capital commitments**

At 31 March 2015 the Group had £37.9 million (2014: £42.8 million) 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 its approach to risk management and approved a revised risk framework and risk management strategy in November 2014. The Board sets the risk appetite and reviews this at least annually and ensures that stress testing and multivariate tests are completed. The principal risks that may affect the Association's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly, and are also included in the Corporate Health indicators reviewed by the Board at each meeting. The principal risks to successful achievement of the Association's objectives are:

### **Changes in legislation and Government policy**

This is a sector wide risk given the proportion of rent paid via housing benefit and the dependency on grant funding for the development of new affordable homes. This risk is being managed by regular monitoring of policy announcements and lobbying on behalf of the sector by the NHF. A welfare reform action plan is in place to respond to the changes in benefit being introduced by government, including the further reductions in welfare benefits and tax credits announced in the Government's budget on 8 July 2015.

The change in rent policy announced on 8 July will have a significant impact on the Association's business plan in the medium to long term, with rental income projected to be £4 million lower by 2019/20 than currently forecast in the business plan. The Board and Executive are considering a number of actions including cost savings and additional income generation to mitigate the impact of the reduction in rental income, to ensure that financial covenants continue to be met and the loan is repaid within its term.



**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 set by the Board is to evaluate the options for growth and this will 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 3,600 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 £102,000, 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. More recently, the government has announced plans to extend the right to buy to housing association tenants.

A significant increase in sales would require action to reduce operating costs to compensate for the reduced level of rental income. Phoenix is also exploring ways of acquiring or developing new homes and new services to mitigate the impact of the loss of stock. The NHF is raising the profile of this issue and its impact on the availability of affordable homes to residents in need.

**New development not achievable within scheme appraisal parameters**

The recent upturn in economic conditions is leading to a rise in tender prices for construction. Development appraisal criteria have been reviewed and approved by the Development Sub-Committee and plans for new homes are 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.

**Expectation of residents exceeds the provision in the stock condition survey**

The external works completed in 2014/15 were in line with budget and scoping surveys have been undertaken for the external works over 2015 to 2016. A pilot programme of environmental works commenced in 2014/15 to inform the overall scope of environmental works to be carried out across Phoenix estates in consultation with residents.

An independent surveying firm undertook a sample stock condition survey in January 2013 for loan security purposes. The long term projected expenditure from the survey is reflected in the latest business plan.

**Phoenix Repairs Service fails to deliver performance and meet budget targets**

The new Phoenix Repairs service went live in April 2015 as planned with the management and delivery of repairs being carried out by the subsidiary, Phoenix Agency Services. New governance arrangements are in place and the subsidiary Board will be reviewing the key performance target framework for the service and monitoring its financial performance.

## Value for Money Self-Assessment 2014/15

### Value for Money Statement

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”**.

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.

In VFM focus groups in 2015 residents confirmed our VFM priorities were the right ones and our overall definition of VFM was clear and transparent.

### Value for Money Strategy

The Board reviewed and approved the Value for Money Strategy in July 2014 and again in July 2015. For Phoenix the achievement of Value for Money means the delivery of our strategic objectives in the most cost effective way possible, deciding how to balance cost and quality. In practice this means:

- A strategy that focuses resources on our strategic 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. The Board also agreed tolerance levels for performance indicators; where performance is outside the tolerance level a report is required setting out improvement plans to bring performance back within tolerance levels.

Value for money implications are included as part of all corporate priorities. In 2014/15 the Board also agreed Indicators of Corporate Health which combine cost, performance and risk measures. 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:

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

- Voids and lettings.
- Anti Social Behaviour.
- Tenancy sustainment.
- Rent collection and arrears
- Welfare Reforms.
- Right to Buy
- Major works- delivery.
- Repairs.
- Customer Services
- Complaints.
- 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 but were reduced to quarterly in 2014/15 to reflect the reduced risk of not delivering the programmes; 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, focus groups, scrutiny 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 £140 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 5 at 31 March 2015, one of which was sold shortly after the year end.

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 £13 million, meaning that the total cumulative spend will be £153 million, very close to the original estimate at transfer.

The expenditure on major works has been partly funded by £48 million of gap funding grant from the Department for Communities and Local Government (DCLG) received over 6 years, including uplift for inflation. Phoenix has received all the gap funding grant due under the agreement with DCLG.

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.

## Phoenix Community Housing Board Report (continued)

There is strong demand for Phoenix housing stock and the number of void properties and amount of rent loss through voids has significantly reduced from the position at transfer and has been retained at the top quartile for our peer group for the last two years.

### Return on capital

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

General needs	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Operating surplus from Social Housing	7,944	5,869	7,312	7,754	7,397
Cost net of grant	110,372	104,327	96,604	94,364	93,077
Return on capital	7.2%	5.6%	7.6%	8.2%	7.9%

The improved return on capital in 2012/13 and 2013/14 was 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 decrease in the return on capital in 2014/15 is due to allocation of central costs to development which cannot be capitalised, increased property insurance costs and higher void revenue works costs. This area of expenditure is being reviewed as part of the new management arrangements for repairs from April 2015.

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 start on its first development of new homes, a 60 unit extra care scheme located on land adjacent to an existing older persons scheme. Phoenix 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, feasibility work has continued on these schemes with the intention of securing planning permission during 2015 and bidding for grant under the Continuous Market Engagement procedure.

The Board reviewed the Asset Management Strategy in 2014. This was endorsed by residents in focus groups who requested we continue to consider:

- The balance between repair and replacement.
- Long term solutions to the bathroom pods attached to some 130 properties.
- Extending consultation and planning on environmental works to ensure they meet the needs of the community.

As a result of this feedback and our own internal reviews, we have scaled back our environmental works programme for 2015/16 to commit more time to planning and consultation and expect this approach to maximise our return on this investment.

The Asset Management Strategy also recognises the need to assess the performance of properties, in terms of their economic and social return, at a 'granular' (detailed) level. Work continues on a new asset management system which will provide the analysis to enable this assessment to inform future decisions to invest in properties or consider alternative use, including disposal, to support the strategy.

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

A new review process for void properties was introduced during the year whereby alternative uses for the property are considered before committing to the works. The Board agreed to sell one long term void property where the estimated sales value significantly exceeded its net present value as social housing. The sale completed in April 2015 and the proceeds will be used to develop or acquire new social housing. The Board agreed the first purchase of a property during 2014/15 funded from these sale proceeds.

### **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. The Green Man has created 13 new jobs for local people; in addition 20 staff employed by Phoenix live locally (in BR1 and SE6 post code areas) and 5 members of staff are residents.

The impact of the investment in the Green Man will be reviewed during 2015/16. We will use focus groups and surveys as well as hard evidence such as footfall, reach and service outcomes to achieve this.

The total cost of our community empowerment and regeneration activities in 2014/15 was £681,000 net of income received (£628,000 in 2013/14). We have piloted the use of the Social Return on Investment (SROI) model and the Housing Association Charitable Trust (HACT) model to assess the return on some of these activities during the year to ensure we not only use the most robust model we can but that it is meaningful to our residents.

We have continued to maintain community centres in the Phoenix area in accordance with our transfer agreement commitment, with the exception of Hazelhurst Court which has been closed to allow the development of new homes noted above. The Meadows community centre has been leased to the Building Lives charity for a construction academy which opened in January 2015, providing construction skills training for 80 people. We secured £26,000 grant funding towards the cost of the works to the centre to convert it to a training centre. The other community centres continue to provide a place for local people to meet and foster a sense of community. Although there was a change of use of 2 community centres, income from external hire actually increased from £42,000 in 2013/14 to £51,000 in 2014/15.

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 votes at the Community Link events and the projects are monitored to measure their success against their stated objectives. The first set of impact assessments of these initiatives have now been completed and reported back to residents and to our Audit Committee. Using the SROI network model and the assessments show an estimated return of between £7 to £119 per £1 invested, depending on the project being evaluated. Residents attending link events also had the opportunity to meet with the successful project sponsors, receive information from their annual reports and provide feedback which was used by the Community Chest Panel.

## Phoenix Community Housing Board Report (continued)

Over 2,500 people attended the Phoenix festival in May 2014; funding, staff time and activities were provided by our main contractors and staff to create a vibrant event reaching the whole community. Some of the outcomes achieved included:

- Consultation on a range of topics ranging from our new repairs service implemented in April 2015, Community Link action plans, service priorities, our proposed extra care scheme and regeneration proposals for the Fellowship Inn.
- Providing 2,000 'goodie' bags of information as well as other information at stalls about our services and services provided in the local community.
- Completing employment surveys to shape our employment projects and recruiting new residents to our involvement groups and our Gold Membership Scheme.

This was in addition to our overarching aims to create a fun day and build a sense of belonging for the whole community.

Our new approach of holding Community Link events for our 3 key areas three times a year and one Community Chest event annually was evaluated in 2014/15 after each event and at year end. The evaluations were positive with an average of 148 tenants and leaseholders attending each event and over 250 residents, overall. This represents an increase in reach of over 300% compared to attendance at previous area panels at less than half the cost. Satisfaction with the events was also high with 96% or higher of residents attending telling us they were satisfied overall with each Community Link event

In 2014/15 bids were delivered to provide ICT training and the development of resident digital champions; back to work training and access to employment. . Inputs from Phoenix were meeting space in the Green Man to run an Information and Advice Hub. Outcomes included recruitment and training of our residents as digital volunteers and new and additional services being provided at our offices. The provision of services for online benefit applications has made 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. Specific outcomes were:

- 33 residents receiving employability training.
- 47 residents moving into work following training or support from Phoenix.
- 295 residents attending drop in sessions for our Job Club or ICT training.
- 99 residents registered on the "My Work Search" web site.

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 2014/15 our contractors engaged 15 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 save recruitment and development costs estimated at £10,000 p.a. Of the 7 apprentices employed by us in 2014/15, 3 are still completing their apprenticeship us and 2 had secured fixed term contracts with us, 1 had secured a full time job externally and 1 left having successfully completed her apprenticeship and has since completed a number of short term employment contracts. The estimated net social return of our internal apprenticeship programme was £28,363, and of 47 people moving into work was £166,412 according to the HACT model.

In 2014/15 our Employers Forum we delivered an employment fair, attracting over 200 people. This emphasised the importance of social value contributions and the expectations we have of our contractors.



## Phoenix Community Housing Board Report (continued)

We established the Phoenix Academy, a training programme open to all residents offering skills and advice that can help people find long-term employment or a boost to their career, and a better understanding of social housing. This initiative also assists with resident Board member succession in the future. The Academy was run in house so was delivered within existing resources. 23 apprentices and residents graduated and as part of their graduation set future plans and aspirations. The programme was reviewed and is being run again in 2015/16.

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; an internal decorations service for vulnerable residents; and funding for Citizens Advice. Key outputs for 2014/15 were:

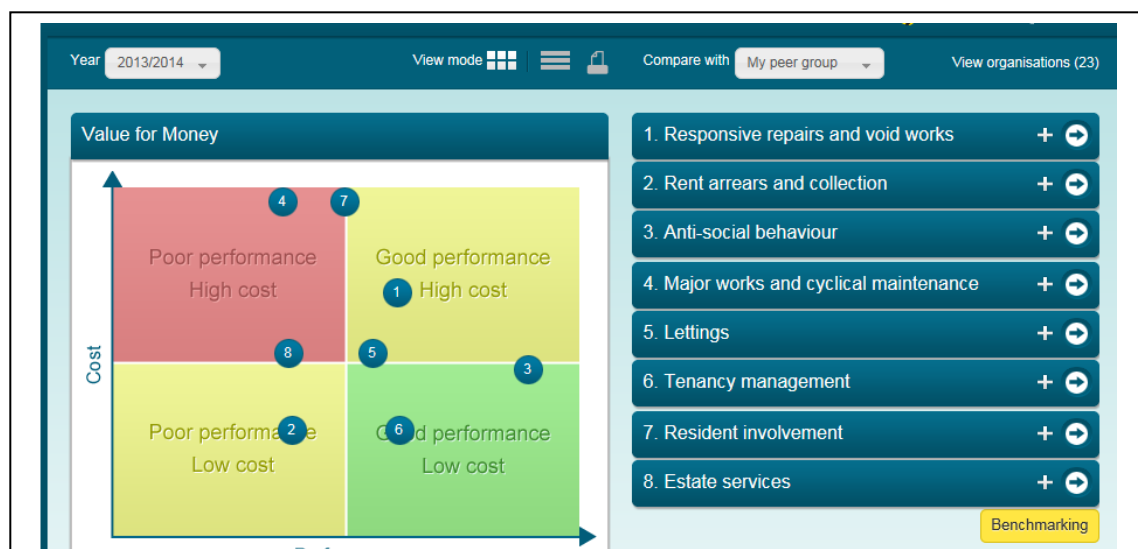
- 211 successful visits were carried out to residents in 2014/15 to provide energy advice and support to obtain cheaper tariffs, an increase from 81 in 2013/14.
- 154 tenants received internal decorations in 2014/15; with a 97.5% satisfaction rate.
- Spent £258,000 on aids and adaptations delivering 37 major and 119 minor adaptations to enable residents to continue living in their home.
- Completed 86 handy person repairs.

### 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 2013/14 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 2014/15 figures when they are available.

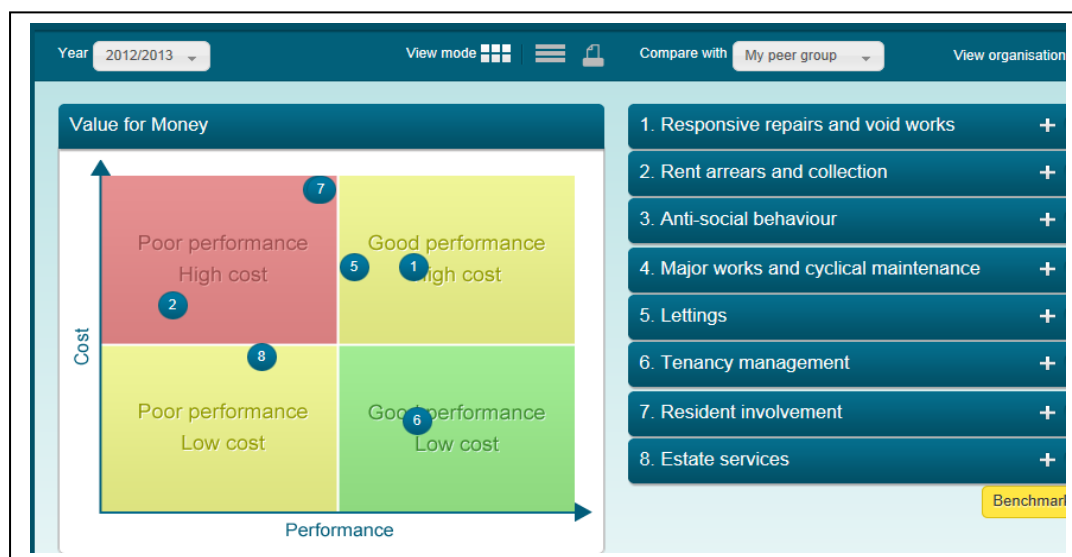
### Summary of costs and performance in comparison to other London based associations with less than 7,500 homes 2013/14.





## Phoenix Community Housing Board Report (continued)

Summary of costs and performance in comparison to other London based associations with less than 7,500 homes 2012/13.



### Notes:

The number 3 in the graph above is missing as we did not supply performance measures to Housemark for ASB. We supplied this information in 2013/14 as we have enhanced the way we record and monitor ASB, in line with Housemark indicators.

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>

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 (note: the peer group median comparatives for 2013/14 are the latest available at the time of preparation of this statement):

Value for Money indicator	Phoenix 2013/14	Phoenix 2012/13	Peer Group 2013/14 (median)
Management costs per home	£577	£571	£577
Responsive and void repairs cost per home	£1,042	£1,002	£860
- Responsive repairs costs per home	£690	n/a	£687
- Average void costs per home	£352	n/a	£173
Estate service costs per home	£328	£301	£335
Overhead cost as a percentage of turnover	16.1%	15.2%	12.9%
Void losses %	0.42%	0.47%	0.73%

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

<b>Value for Money indicator</b>	<b>Phoenix 2013/14</b>	<b>Phoenix 2012/13</b>	<b>Peer Group 2013/14 (median)</b>
Tenant satisfaction with overall service %	Last completed 2012-13	84%	81%
Tenant satisfaction that their rent provides VFM %	Last completed 2012-13	75%	73.5%
Tenant satisfaction with quality of home %	Last completed 2012-13	81%	76.95%
Tenant satisfaction that their views are taken into account %	Last completed 2012-13	66%	60.9%
Leaseholder satisfaction with overall service %	Last completed 2012-13	51%	59%
Leaseholder satisfaction that their service charge provides VFM %	Last completed 2012-13	33%	n/a
Leaseholder satisfaction that their views are taken into account %	Last completed 2012-13	38%	55%

**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 22 Associations - the full list is on our web site

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

Overall satisfaction with Phoenix as a landlord is the 3<sup>rd</sup> highest among our peer group.

Within housing management costs, the area of resident involvement has attracted a high cost per property. The Board recognised that this was an area of relatively high cost with uncertain impact in terms of outcomes for residents and so in 2013/14 we undertook reviews of our Community Empowerment Strategy and Customer Access Strategy. One of the outcomes of this review was 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. This resulted in a reduction in the cost of resident involvement and net annual savings of £200,000, of which £40,000 was allocated to fund the Community Chest and £80,000 to fund apprenticeships.

Overall revenue maintenance costs increased by less than inflation as a result of the partnering arrangements with the repairs contractor and the operation of our repairs subsidiary. Average responsive repair costs are low compared to our peers. The Board has also noted the good performance in most areas of repairs compared to our peers, although value for money focus groups with residents and visioning for the new service identified repairs being completed in one visit remains an area for improvement. Average void repairs costs per property are significantly 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, following previous tenant refusals where these were not undertaken through the planned programmes. This is reducing over time as the planned programmes are completed.

## Phoenix Community Housing Board Report (continued)

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 started a review of our caretaking and estates services which will conclude in 2015/16.

Overheads measured as a percentage of turnover is higher than the median, with central costs and information and communications technology (ICT) showing 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. This area decreased from 8.2% to 7.8% between 2012/13 and 2013/14. With regard to ICT, we have continued to invest in new business systems over the last 3 years which will provide lower ongoing costs in terms of maintenance and support, as well as enabling the management of repairs in house, bringing efficiencies in scheduling repair works and 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 at 99.9% for 2014/15 was slightly below that achieved for 2013/14 but above the target set by the Board of 99.5%, which reflected the anticipated impact of welfare reforms. Void losses continued to reduce as a percentage of total rent, reflecting the high demand for Phoenix properties and improvements in relet times.

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 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. During 2014/15 measures have been taken to improve leaseholder satisfaction, including improving consultation on environmental works, extending financial inclusion advice to leaseholders and improving consultation opportunities.

### Value for money gains

In last year's statement we set out the key value for money initiatives for 2014/15. In total we achieved value for money gains of £653,000 against target savings of £396,000; however the investment in value for money initiatives for the future was higher at £1.2 million compared to a target of £710,000. The table below summarises our achievements:

Value for Money initiative 2014/15	Outcome
Implementation of the decision to bring the management of repairs in house (Repairs 2015 project); the budgeted cost for this project in 2014/15 was £380,000 including new IT systems but estimated annual savings of at least £300,000 will accrue from April 2015.	The Repairs 2015 project went live on 1 <sup>st</sup> April 2015 as planned. The actual cost for the project including new IT systems (including human resources and payroll) were higher than anticipated at £657,000; however the budget for responsive and void repairs for 2015/16 reflects savings of £400,000 for the year, so the additional costs of the project will be recovered within 3 years.
Full year savings from the operation of the repairs subsidiary (£250,000).	Full year savings of £247,000 in 2014/15 were achieved from the operation of the repairs subsidiary.

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

<b>Value for Money initiative 2014/15</b>	<b>Outcome</b>
Reprocurement 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.	Savings of £29,000 achieved through use of lawyers from the HALA Framework as well as staff savings.
Centralising marketing and all resident leaflet and newsletter budgets (£15,000).	Savings were lower than anticipated at £11,000.
Review of structures in Asset Management, Contact Centre, IT and People Services (at a provisional cost of £250,000).	<p>Asset Management, Contact Centre and IT structures were reviewed and revised structures approved. The costs of these restructures including redundancy and early retirements was £347,000.</p> <p>The restructure in Asset Management has provided annual savings of £200,000 from 2015/16 which have been reinvested in Development, a new procurement manager post and an apprentice through the Mayor of London's Apprenticeship Scheme.</p> <p>The overall impact of the Contact Centre restructure is cost neutral, and included the creation of a dedicated repairs team who schedule repairs and gas servicing and an additional apprentice.</p> <p>The IT structure shows a growth in established posts with 2 new staff to support the Phoenix Repairs Service and a web application developer to deliver mobile and web services.</p> <p>The restructure of People Services is now planned for 2015/16.</p>
Investment in customer service training for all staff (budgeted cost £80,000).	A major investment in staff development was made during the year through a bespoke management development programme, the Conscious Leadership programme, and an intensive customer experience training programme for all staff, as part of a wider cultural change programme - 'Phoenix 7.0', at a cost of £189,000. The higher costs was due to the inclusion of the subsidiary staff on the customer services training and an additional training group being required, as well as an investment in training facilitators in house.

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

<b>Value for Money initiative 2014/15</b>	<b>Outcome</b>
	<p>The programme aims to improve the customer experience for our residents, help staff to be more customer and performance focussed, as well as make Phoenix a great place to work.</p> <p>The outcomes of the programme will be evaluated in 2015/16. However, the returns on in house trainers leading sessions have already delivered value for money returns of £14000 as a result of not employing external consultants.</p>
Review of procurement strategy - focusing on extracting social value outcomes as well as cash savings.	<p>The review commenced in 2014/15 and will be completed in 2015/16.</p> <p>A new post has also been included in the Property structure to lead on procurement.</p>
Review of the pension scheme offered in advance of auto-enrolment (£100,000 full year saving compared to the costs of auto-enrolment if no change in scheme).	<p>Pensions auto-enrolment for Phoenix Community Housing staff was implemented as planned in August 2014. The Board agreed to close the Social Housing Pension Scheme (SHPS) – career average revalued earnings (CARE) structure to new members and offer the SHPS defined contribution structure, in view of the risks that the defined benefit nature of the CARE scheme presents. The change of scheme is providing £60,000 of annual savings compared to offering SHPS CARE to all staff.</p> <p>The auto-enrolment staging date for the subsidiary, Phoenix Agency Services, is July 2017.</p>
Developing the Community Regeneration Strategy to maximise the social and economic impact of our work on the Phoenix area.	<p>As noted above, we piloted 2 evaluation models. The costs and outcomes in terms of social return are summarised in the section on social return on assets.</p>
Complete implementation of phase two of the Core Business System, including the asset management system to enable a 'granular' (detailed) view of the return on assets; savings targets will be set from the use of the new modules.	<p>Board approved a revised IT strategy in May 2014. The new IT systems implemented for Repairs 2015 are integral to the achievement of the targeted annual savings from 2015/16.</p> <p>The asset management system went live during the year but requires further work in order to be able to assess return on assets.</p>
Purchase of communal waste bins following the decision by Lewisham Council to introduce charges for the use of communal bins on estates.	<p>Ongoing negotiations with Lewisham Council over the use of the current bins as this may present better value for money.</p>

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

<b>Value for Money initiative 2014/15</b>	<b>Outcome</b>
New scrutiny panel including a value for money perspective in their reviews.	The scrutiny panel completed a review of repairs satisfaction in 2014/15. Their report included a number of recommendations with value for money implications, including publicising the importance of residents cancelling repair appointments if they are unable to be at home for the appointment or if they need to reschedule; repairs operatives keeping a small supply of stock and materials on the vans to prevent unnecessary delays and keep completion times to a minimum; and organising repair work for different trades to run concurrently to minimise the length of time to complete repairs.
Procurement strategy for the new extra care scheme.	<p>The Board considered procurement options and agreed to procure a main contractor through the South East Consortium (SEC), an OJEU compliant procurement framework, using a two stage tender process. The successful contractor is undertaking the pre-commencement works and is due to submit a stage two tender in July.</p> <p>The scheme has been allocated £4.7 million of grant from the Greater London Authority and Lewisham Council.</p> <p>A 'chain lettings' approach is being negotiated with the Council whereby the new homes will be offered to Phoenix residents who are under-occupying, thereby providing a family sized property to residents on the Council's waiting list.</p>
Sale of a long term void property with proceeds reinvested in new social housing.	The Board approved the sale of one long term void property which was sold on 10 April 2015. The sale proceeds will be used to reinvest in new social housing for Phoenix and the first such property was acquired during the year.
Acquisition of freehold interest in properties held on long leases.	<p>As part of the stock transfer Phoenix holds the unexpired lease term on 40 long lease properties with between 2 and 10 years remaining at 31 March 2015.</p> <p>We have been pursuing a strategy of acquiring the freeholds or extending the leases on these properties to ensure that Phoenix retains a long term interest in the properties. Total costs in the year were £378,000 providing a return in terms of net present value of £480,000.</p>

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

<b>Value for Money initiative 2014/15</b>	<b>Outcome</b>
Income from letting the community hub and barn community facility (£35,000).	Income from letting the community hub and barn community facility for 2014/15 was £22,000. Income is expected to increase for 2015/16 as the facility is now licenced for weddings and longer opening hours.

In addition some initiatives reported on in our 2013/14 statement continued in 2014/15. The table below summarises our achievements in those areas.

<b>Value for Money initiative from 2013/14 continued in 2014/15</b>	<b>Outcome</b>
Improve the community benefit from both existing contracts and future procurement of works.	Training and apprenticeships provided through the external works contracts and sponsorship of community events.  This included attendance and sponsorship of community events, an employment fair and supporting 15 apprentices.
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 in Co-operative vouchers. The scheme membership has continued to grow to 1,485 at 31 March 2015. A review was carried out during the year and the decision taken to bring the administration of the scheme in house. The scheme was relaunched in June 2015.

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 2014/15 include:

- Maintained performance on rent collection, including support to residents to obtain benefits they are entitled to, including discretionary housing payment. Residents were supported to obtain £208,000 additional income in 2014/15 without which there may have been increased arrears or possible eviction.
- The number of days that an independent consultant was used for Health and Safety site audits at our major works sites was reduced by half, saving £7,000, given that the standards being achieved were high. Following the reduction there has been no deterioration in the standards being achieved and the savings have been used to develop our corporate Health and Safety Management System.
- We reduced the proportion of gas servicing work subject to an independent check from 10% to 5%, saving £17,820. Following the change there has been no deterioration in the standards of gas servicing being achieved and we have maintained 100% gas servicing compliance.
- The telephony support was retendered during the year and a new provider appointed saving £21,000.
- Contractors who assist with the arrangements for the Annual General Meeting were asked to find savings compared to the previous year, resulting in an overall saving of £5,000.



## Phoenix Community Housing Board Report (continued)

- The organisation of the Phoenix festival was tendered during the year with a consequent saving of £10,000.
- We combined the mailing of our quarterly rent statements and resident newsletter, saving around £8,000 in postage and print costs.
- We negotiated a refund of £19,000 of VAT previously charged by the Council on its allocations service through the choice based lettings scheme.
- Budgets, KPIs and changes to corporate plan priorities were reviewed with service managers in one meeting which enabled processes to be better aligned and saved 10-15 meetings across the organisation at an estimated staff saving of £2,000 in time that could be invested into direct services.
- Using process mapping to help address high cost or low performing services; for example, a process review of voids was carried out at the end of Quarter 1 2014/15 when relet time had increased to 39 days. This identified blockages and the outcome was a year end result of 27 days, in line with the Board's target.
- Process reviews also informed the reshaped structure for our customer experience teams. The outcomes will be fully realised in 2015/16 when the new structure goes live. However in quarter 4 2014/15 call answering and calls answered in 30 seconds were both exceeding the previous quarter's performance.

The Value for Money gains have been invested as follows:

- Community Chest funding
- Employment of 7 apprentices
- 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
- The additional investment in value for money initiatives for the future.

Key value for money initiatives in 2015/16 are summarised below and target £615,000 of value for money gains for 2015/16:

Value for Money initiative 2015/16	Target
The Repairs 2015 project to bring the management of repairs in house went live on 1 <sup>st</sup> April 2015.	The budget for responsive and void repairs for 2015/16 reflects savings of £400,000 for the year.
Continue implementing the Community Regeneration Strategy to maximise the social and economic impact of our work on the Phoenix area.	Complete full review of pilot of Social Investment models. Specific targets are: <ul style="list-style-type: none"> <li>• Provide training to 200 residents.</li> <li>• Support 30 residents directly into work.</li> <li>• Support 15 residents directly into work through our contractors.</li> <li>• Consult more widely with young people.</li> <li>• Set fund raising priorities.</li> </ul>
Continue work on asset management systems to enable assessment of return on assets at a 'granular' (detailed) level.	Reports on return on assets at a property and estate level.
New homes and regeneration projects start to be delivered, including development for sale.	Continue construction of extra care scheme. Start on site on two further schemes for 30 homes and secure grant funding of £1 million.



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

Value for Money initiative 2015/16	Target
	<p>The development of social housing will complete in 2016/17 providing social value in terms of discounted rents compared to market rents leading to reduced housing benefit payments; the creation of new jobs in constructing the homes; housing people who would otherwise be homeless, overcrowded or in some other form of housing need. The social return on this investment will be calculated during 2015/16. Staffing costs include £40,000 reinvested from the Asset Management restructure.</p> <p>The development of homes for sale at market prices helps us generate additional income to cross-subsidise the development of social housing. A profit of around £500,000 is included in our business plan.</p> <p>Heritage Lottery funding of £250,000 towards feasibility and design work on the Fellowship Inn project (so the project is cost neutral for 2015/16). Staffing costs include £103,000 reinvested from the Asset Management restructure.</p>
Appraise options for refinancing to support our future development plans beyond 2016/17.	Funding in place to support Development Strategy. Value for money assessment to include the social return calculation noted above.
<p>The Core Business System is used in full, increasing information held on all residents and properties so services can be tailored to meet individual needs and residents do not have to repeat previous contact when following issues up; the number of transactions that can be completed electronically increases as a result of the Self Service Portal and promotion of the website.</p> <p>Complete mobile working pilot and roll out across the business.</p>	<p>Target: 75% of calls not transferred of those received.</p> <p>Increase use of self service portal by agreed numbers.</p> <p>Mobile working is rolled out.</p>
<p>Aiming higher programme continues to be delivered:</p> <ul style="list-style-type: none"> <li>Improved corporate working results in staff feeling valued, supported and empowered to make decisions.</li> <li>Resident and internal customer satisfaction and experience with how we approach and resolve issues increases.</li> </ul>	<p>Staff engagement score from Times Top 100 Companies increases and overall position in the Top 100 increases.</p> <p>Investors in People accreditation is achieved</p> <p>Targets for improvement in resident satisfaction:</p> <p>Tenants 86% (last survey 84%)</p> <p>Leaseholders 53% (last survey 50%)</p>

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

<b>Value for Money initiative 2015/16</b>	<b>Target</b>
Roll out implementation of the new HRIS (Human Resources Information System) for Phoenix.	Savings on costs of payroll £5,000 (full year £10,000).
Option appraisals to thermal efficiency of homes and other measures which benefit residents.	Target: undertake improvements to properties with low SAP ratings.
Scrutiny Panel completes its annual programme for 2015/16 and its recommendations are considered by service heads, Executive and the Board.	Scrutiny reports to continue to include VFM recommendations.
Caretaking and Estates services vehicles procured through Procurement for Housing on same lease arrangement as for Phoenix Repairs Service.	Saving of £40,000 compared to hire costs in 2014/15.
New process for gas servicing introduced as part of Repairs 2015 project; system automatically schedules appointments and sends text reminders.	Remove need for hand delivery of appointment letters and reduce the level of no access, saving £21,600.
Extend consultation on scope of environmental works and procure.	Value for money measures to be developed through the consultation and planning process.
Tender of facilities management and operation of café at the Green Man	Savings of £10,000
Review of structures in People Services and Communications	Targets to be set as part of the review
Complete review of procurement strategy - focusing on extracting social value outcomes as well as cash savings.	Set a target for social value investment as a percentage of total contract sums when the new strategy is approved
The Gold Membership scheme is relaunched	Cost of relaunch and publicity £21,750  Target 300 new members  Payment to members to be self-funded from savings arising in rent collection and gas no access visits.
Phoenix Lettings Management Scheme proposal approved by the Board and starts to be delivered	Target is to break even in first 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 at community events.
- Internal audit reports.
- Budget process and review of business cases.

## Phoenix Community Housing Board Report (continued)

- Housemark benchmarking report.
- HQN self-assessment.

Our residents confirmed in the focus groups that the key VFM initiatives for 2014/15 needed to be refreshed and continued in 2015/16. They are:

- Embedding the new Phoenix Repairs Service
- Completing Customer Access projects.
- Community Regeneration and Community Empowerment Strategies
- Making sure our training on customer focus delivers expected outcomes so we get our basic services right.
- Investing in the community and new homes

Residents also told us what to provide cost information on, what to include in our reports on VFM and gave us guidance on how to present them.

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.

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 2015 as well as our progress in meeting areas for improvement set in our 2013/14 statement.

The Board confirmed that it had received assurance that the Value for Money standard is being met and there is evidence of continuous improvement in meeting the standard. However, as set out in our Corporate Plan for 2015/16, improvements are still needed to improve our approach in the 2 areas highlighted in our 2013/14 statement :

- Fully assessing the social return on our investments - learning from the pilots completed in 2014/15
- Assessing the return on our assets at a more “granular level”.

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 continue to reduce the level of central service costs per property and evaluate the opportunities to develop new homes and services.

## **Future developments**

Key priorities for the next year include the construction of the new extra care scheme and commencing work on other new homes; ensuring that the new Phoenix Repairs service meets its performance and budgetary targets; completing the implementation of the restructures in IT, Customer Experience and Asset Management teams; continuing the Phoenix 7.0 cultural change programme; developing the plans for the refurbishment of the Fellowship Inn; completing the transition to a smaller Board and relaunching the Gold membership scheme. The programme of environmental improvements will also be developed in consultation with residents.

The Board will be evaluating the impact of the change in rent policy announced by the Government on 8 July on its future plans, including its strategy for the development of new homes, and considering actions to mitigate the impact of the resulting reduction in rental income.

## **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. We were recognised as one of the top not-for-profit companies to work for in the Sunday Times Best Companies Awards 2014.

## **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 six apprentices.

## **Diversity**

The diversity of staff is a key performance measure and as at 31 March 2015 the staff comprised 27% black and minority ethnic employees, 49% women and 15 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 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. The Board agreed a revised health and safety policy statement following a review by the Committee during the year.

## **Going Concern**

After reviewing the budget for 2015/16 and the long term financial plan, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

## **Disclosure of Information to the Auditors**

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

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

## **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 setting the risk appetite and strategy. The Audit Committee receives reports on the significant risks quarterly and the Board also reviews these annually. The Executive Team is responsible for reporting to the Board on any significant changes affecting key risks and all projects and reports to the Board and Committees include an analysis of the relevant risks, how they impact on the approved risk appetite and mitigating actions.

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

- sound corporate governance arrangements including the adoption of the principal recommendations of the NHF'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 (KPIs) for review by the Executive Team on a monthly basis and by the Board on a quarterly basis. The format of this report has been reviewed and changes agreed by the Board, including KPI targets and tolerances outside of which a detailed report explaining the action being taken is required;
- all significant new initiatives, major commitments and investment projects being subject to approval by the Board; and

## **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 Team and the Residents Scrutiny Panel. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

- the Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury management strategy and new investment projects;
- the Board regularly reviews key performance indicators to assess the progress towards the achievement of key targets and progress against the corporate plan;
- the Group has in place an Internal Audit Plan and a risk based approach to internal audit reviews. The plan covers financial and non-financial areas. The Audit Committee monitors progress on agreed actions to address recommendations arising from these reviews. Additionally, the Internal Auditors follow up 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 2015.

On behalf of the Board

Pat Fordham, MBE  
Chair

Date: 30 July 2015

## 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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.

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

We have audited the financial statements of Phoenix Community Housing for the year ended 31 March 2015 which comprise the Consolidated and Association Income and Expenditure Account, the Consolidated and Association Balance Sheet, the Cash Flow Statement, the Consolidated and Association Statement of Total Recognised Surpluses and Deficits, and the related notes 1 to 29. 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 37, 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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2015 and of the Group's and the Association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and the Housing and Regeneration Act 2008.

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements of the Association 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

13 August 2015



## Consolidated Income and Expenditure Account

For the year ended 31 March 2015

	Note	2015 £000	2014 £000
<b>TURNOVER</b>	2	34,054	32,659
Operating costs	2	(27,001)	(25,303)
		<hr/>	<hr/>
<b>OPERATING SURPLUS</b>	2	7,053	7,356
Surplus on sale of fixed assets	6	443	420
Interest receivable and similar income	7	249	37
Interest payable and similar charges	8	(2,317)	(2,142)
		<hr/>	<hr/>
<b>SURPLUS FOR THE YEAR BEFORE TAXATION</b>	3	5,428	5,671
Tax on surplus on ordinary activities	9	11	(1)
		<hr/>	<hr/>
<b>SURPLUS FOR THE YEAR</b>		<hr/> <hr/> 5,439	<hr/> <hr/> 5,670

All amounts relate to continuing activities

## Consolidated Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2015

	Note	2015 £000	2014 £000
Surplus for the year		5,439	5,670
Actuarial (loss)/gain on pension scheme	24	(1,720)	530
		<hr/>	<hr/>
Surplus relating to the year		<hr/> <hr/> 3,719	<hr/> <hr/> 6,200

## Association Income and Expenditure Account

For the year ended 31 March 2015

	Note	2015 £000	2014 £000
<b>TURNOVER</b>	2	34,299	32,836
Operating costs	2	(27,176)	(25,482)
		<hr/>	<hr/>
<b>OPERATING SURPLUS</b>	2	7,123	7,354
Surplus on sale of fixed assets	6	443	420
Interest receivable and similar income	7	224	33
Interest payable and similar charges	8	(2,317)	(2,142)
		<hr/>	<hr/>
<b>SURPLUS FOR THE YEAR</b>	3	5,473	5,665
		<hr/>	<hr/>

All amounts relate to continuing activities

## Association Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2015

	Note	2015 £000	2014 £000
Surplus for the year		5,473	5,665
Actuarial (loss)/gain on pension scheme	24	(1,443)	488
		<hr/>	<hr/>
Surplus relating to the year		4,030	6,153
		<hr/>	<hr/>

# Consolidated Balance Sheet

As at 31 March 2015

		2015 £000	2014 £000
<b>FIXED ASSETS</b>	<b>Note</b>		
Housing properties	10	93,831	94,964
Other fixed assets – intangible assets	11	291	380
Other fixed assets – tangible assets	12	8,110	7,448
		<hr/>	<hr/>
		102,232	102,792
<b>CURRENT ASSETS</b>			
Debtors - due within one year	13	9,027	10,813
- after more than one year	13	764	518
Cash at bank and in hand	14	1,000	1,407
		<hr/>	<hr/>
		10,791	12,738
<b>CREDITORS:</b> Amounts falling due within one year	15	(18,257)	(19,758)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(7,466)	(7,020)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		94,766	95,772
		<hr/>	<hr/>
<b>CREDITORS:</b> Amounts falling due in more than one year	16	58,278	64,667
Pension liability	24	2,614	950
		<hr/>	<hr/>
		60,892	65,617
<b>CAPITAL AND RESERVES</b>			
Non-equity share capital	18	3	3
Revenue reserves	19	33,871	30,152
		<hr/>	<hr/>
		94,766	95,772
		<hr/>	<hr/>

The accounts were approved by the Board on 30 July 2015 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 2015

		2015 £000	2014 £000
<b>FIXED ASSETS</b>	<b>Note</b>		
Housing properties	10	93,831	94,964
Other fixed assets – tangible assets	12	7,899	7,448
Investment in subsidiary undertaking	28	5	5
		<hr/>	<hr/>
		101,735	102,417
<b>CURRENT ASSETS</b>			
Debtors - due within one year	13	9,196	10,801
- after more than one year	13	764	518
Cash at bank and in hand	14	841	1,286
		<hr/>	<hr/>
		10,801	12,605
<b>CREDITORS:</b> Amounts falling due within one year	15	(18,302)	(19,756)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(7,501)	(7,151)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		94,234	95,266
		<hr/>	<hr/>
<b>CREDITORS:</b> Amounts falling due in more than one year	16	58,278	64,667
Pension liability	24	1,818	491
		<hr/>	<hr/>
		60,096	65,158
<b>CAPITAL AND RESERVES</b>			
Non-equity share capital	18	3	3
Revenue reserves	19	34,135	30,105
		<hr/>	<hr/>
		94,234	95,266
		<hr/>	<hr/>

The accounts were approved by the Board on 30 July 2015 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 2015

		2015	2014
	Note	£000	£000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21(a)	11,539	9,634
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	5	3	
Interest paid	(2,161)	(2,081)	
		(2,156)	(2,078)
		9,383	7,556
<b>TAXATION</b>		(1)	-
<b>CAPITAL EXPENDITURE</b>			
Improvements and works to properties	(12,690)	(14,510)	
Sale of housing properties (net of amounts paid to Lewisham Council)	1,061	1,628	
Purchase of other fixed assets	(993)	(3,273)	
Capital grants received	2,333	9,571	
		(10,289)	(6,584)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>	21(b)	(907)	972
<b>FINANCING</b>			
Loans received	500	500	
Loans repaid	-	(500)	
	21(c)	500	-
<b>(DECREASE )/INCREASE IN CASH IN THE YEAR</b>	21(b)	(407)	972

## Notes to the Financial Statements

For the year ended 31 March 2015

### 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. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period, as well as directly incremental overhead costs and staff time associated with new developments, improvements and component works.

Housing properties are split between 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. Costs are capitalised from the point a commitment to develop a scheme is approved. 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) Investment properties**

Investment properties are included in the financial statements at open market value (being market value with vacant possession) at the year end in accordance with Statement of Standard Accounting Practice 19: Investment Properties. Any surplus on revaluation is recognised in the Statement of Total Recognised Surpluses and Deficits and the Revaluation Reserve. Any deficit on revaluation, if temporary, is recognised in the Statement of Total Recognised Surpluses and Deficits and the Revaluation Reserve. If a deficit below original cost arises and is deemed to be permanent, it is recognised in the Income and Expenditure account.

No depreciation is provided in respect of freehold and long leasehold investment properties where the lease has more than 20 years to the date of expiry.

**(h) 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.

**(i) 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

**(j) Grants**

The Secretary of State 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 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.

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 is recognised in the financial statements when the conditions for payment are met. When developments have been financed wholly or partly by Social Housing Grant (SHG), the cost of those developments has been reduced by the amount of the grant receivable. At the balance sheet date, if SHG recoverable on the development is greater than gross cost, the difference is included in creditors and shown as SHG in advance. SHG is repayable under certain circumstances, primarily following the sale of a property supported by SHG but this will normally be restricted to the net proceeds of the sale.



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.

**(k) 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 - Career Average Revalued Earnings (SHPS CARE), 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.

The CARE scheme was closed to new members during the year and new staff enrolled into the SHPS defined contribution scheme. The charge to the income and expenditure account represents the employer contributions payable to the scheme for the accounting period.

**(l) Leased assets**

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

**(m) 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.

**(n) 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.

**(o) 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.

**(p) Services charges**

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

**(q) Disposal Proceeds Fund**

The net proceeds on the sale of the properties made under Right to Acquire are required to be credited to a disposal proceeds fund. Within the terms defined by the HCA, the fund is to be used to provide replacement properties for rent.

**(r) 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.

**(s) 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.

**(t) 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

	2015		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£000	£000	£000
<b>Social housing activities</b>			
Social housing lettings (note 2b)	31,350	23,732	7,618
Development costs not capitalised	-	294	(294)
Other social housing activities	308	235	73
	<u>31,658</u>	<u>24,261</u>	<u>7,397</u>
<b>Non social housing activities</b>			
Lettings:			
Leaseholders	2,196	2,641	(445)
Garages	48	-	48
Other income	152	99	53
	<u>2,396</u>	<u>2,740</u>	<u>(344)</u>
	<u>34,054</u>	<u>27,001</u>	<u>7,053</u>
<b>Group particulars of turnover, operating costs and operating surplus</b>			
	2014		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£000	£000	£000
<b>Social housing activities</b>			
Social housing lettings (note 2b)	30,132	22,401	7,731
Other social housing activities	192	169	23
	<u>30,324</u>	<u>22,570</u>	<u>7,754</u>
<b>Non social housing activities</b>			
Lettings:			
Leaseholders	2,057	2,636	(579)
Garages	35	-	35
Other income	243	97	146
	<u>2,335</u>	<u>2,733</u>	<u>(398)</u>
	<u>32,659</u>	<u>25,303</u>	<u>7,356</u>

## 2 Turnover, operating costs and operating surplus (continued)

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

	2015		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£000	£000	£000
<b>Social housing activities</b>			
Social housing lettings (note 2b)	31,350	23,710	7,640
Development costs not capitalised	-	294	(294)
Other social housing activities	553	432	121
	<u>31,903</u>	<u>24,436</u>	<u>7,467</u>
<b>Non social housing activities</b>			
Lettings:			
Leaseholders	2,196	2,641	(445)
Garages	48	-	48
Other income	152	99	53
	<u>2,396</u>	<u>2,740</u>	<u>(344)</u>
	<u><u>34,299</u></u>	<u><u>27,176</u></u>	<u><u>7,123</u></u>

Association particulars of turnover,  
operating costs and operating  
surplus

	2014		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£000	£000	£000
<b>Social housing activities</b>			
Social housing lettings (note 2b)	30,132	22,406	7,726
Other social housing activities	369	343	26
	<u>30,501</u>	<u>22,749</u>	<u>7,752</u>
<b>Non social housing activities</b>			
Lettings:			
Leaseholders	2,057	2,636	(579)
Garages	35	-	35
Other income	243	97	146
	<u>2,335</u>	<u>2,733</u>	<u>(398)</u>
	<u><u>32,836</u></u>	<u><u>25,482</u></u>	<u><u>7,354</u></u>

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

(b) Group particulars of income and expenditure from social housing lettings	General	General
	Needs	Needs
	2015 £000	2014 £000
<b>Turnover from social housing lettings</b>		
Rent receivable net of identifiable service charges	28,699	27,450
Service charge income	2,651	2,682
	<hr/>	<hr/>
<b>Turnover from social housing lettings</b>	<b>31,350</b>	<b>30,132</b>
<b>Expenditure on social housing lettings</b>		
Management	4,922	4,705
Service charge costs	4,006	3,808
Routine maintenance	6,378	5,593
Planned maintenance	1,878	2,010
Major repairs expenditure	2,499	2,053
Bad debts	129	281
Depreciation of housing properties (net of grant)	2,623	2,703
Exceptional items (see note 3)	456	481
Other costs	841	767
	<hr/>	<hr/>
<b>Operating costs on social housing lettings</b>	<b>23,732</b>	<b>22,401</b>
	<hr/>	<hr/>
<b>Operating surplus on social housing lettings</b>	<b>7,618</b>	<b>7,731</b>
	<hr/>	<hr/>
<b>Void losses (deducted from turnover)</b>	<b>139</b>	<b>126</b>
	<hr/>	<hr/>

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

(b) Association particulars of income and expenditure from social housing lettings	General Needs	General Needs
	2015 £000	2014 £000
<b>Turnover from social housing lettings</b>		
Rent receivable net of identifiable service charges	28,699	27,450
Service charge income	2,651	2,682
	<hr/>	<hr/>
<b>Turnover from social housing lettings</b>	<b>31,350</b>	<b>30,132</b>
<b>Expenditure on social housing lettings</b>		
Management	4,922	4,705
Service charge costs	4,006	3,808
Routine maintenance	6,356	5,598
Planned maintenance	1,878	2,010
Major repairs expenditure	2,499	2,053
Bad debts	129	281
Depreciation of housing properties (net of grant)	2,623	2,703
Exceptional items (see note 3)	456	481
Other costs	841	767
	<hr/>	<hr/>
<b>Operating costs on social housing lettings</b>	<b>23,710</b>	<b>22,406</b>
	<hr/>	<hr/>
<b>Operating surplus on social housing lettings</b>	<b>7,640</b>	<b>7,726</b>
	<hr/>	<hr/>
<b>Void losses (deducted from turnover)</b>	<b>139</b>	<b>126</b>
	<hr/>	<hr/>

### 3 Surplus for the Year

	2015	2014
Group	£000	£000
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties (net of amortisation of grant)	2,623	2,703
Depreciation of other fixed assets	525	457
Amortisation of goodwill	89	67
External auditors' remuneration (excluding VAT and expenses):		
- in their capacity as auditors	33	28
- for other services	15	10
Operating lease rentals		
- Land and buildings	-	-
- Other	29	29
<b>Exceptional items (see note 2b):</b>		
Cost of restructuring	456	481
<b>Association</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties (net of amortisation of grant)	2,623	2,703
Depreciation of other fixed assets	525	457
External auditors' remuneration (excluding VAT and expenses):		
- in their capacity as auditors	31	25
- for other services	13	10
Operating lease rentals		
- Land and buildings	-	-
- Other	29	29
<b>Exceptional items (see note 2b):</b>		
Cost of restructuring	456	481

#### 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.

	2015 £000	2014 £000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	711	793
Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind)	124	119
Expenses paid during the year to Board Members	-	-

The Chief Executive is an ordinary member of the London Borough of Lewisham Local Government Pension Scheme (LGPS) and no enhanced or special terms apply. Pension contributions paid to the pension fund for the Chief Executive were £25,377 in the year (2014: £19,501). There are no payments made to separately administered pension schemes.

During the year the Board approved, after taking legal advice, the Flexible Retirement (as defined by the LGPS) of the Chief Executive with effect from 5 August 2015. At this date, the Chief Executive will move to part time working in accordance with the flexible retirement regulations set out in the scheme. The current estimated cost to Phoenix of granting the Chief Executive Flexible Retirement on 5 August 2015 is £13,000. This depends on a number of factors outside the Board's control and therefore to limit its exposure, the Board agreed that Phoenix meets the cost to LGPS up to a limit of £25,000. Any cost over £25,000 will be covered by the Chief Executive. In approving the Flexible Retirement arrangements, the Board noted that there will be ongoing employer pension contributions savings for Phoenix (the 20.4% rate for the LGPS scheme falls to 6% under the SHPS defined contribution scheme to which the Chief Executive would be eligible to join).

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

	2015 Number	2014 Number
£60,001 to £70,000	3	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	3	1
£110,001 to £120,000	1	1
£120,001 to £130,000	1	-

The aggregate amount of compensation payable to directors in respect of loss of office was £nil (2014: £nil).



## 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 2015:

	2015 Number	2014 Number
Office staff	141	140
Caretakers	21	25
Maintenance	42	26
	<hr/> 204	<hr/> 191
	<hr/>	<hr/>
	£000	£000
Staff costs (for the above persons)		
Wages and salaries	7,059	6,595
Social security costs	634	617
Pension costs	889	665
	<hr/> 8,582	<hr/> 7,877
	<hr/>	<hr/>

### Association

The average number of full-time equivalent persons, including the Executive (excluding the Board), employed during the year to 31 March 2015:

	2015 Number	2014 Number
Office staff	129	128
Caretakers	21	25
	<hr/> 150	<hr/> 153
	<hr/>	<hr/>
	£000	£000
Staff costs (for the above persons)		
Wages and salaries	5,370	5,419
Social security costs	474	509
Pension costs	681	542
	<hr/> 6,525	<hr/> 6,470
	<hr/>	<hr/>

## 6 Surplus on Sale of Fixed Assets

<b>Group and Association</b>	<b>2015 £000</b>	<b>2014 £000</b>
Disposal proceeds	3,507	2,792
Less cost of sales	(643)	(569)
Less amount repayable to the London Borough of Lewisham under the Right to Buy sharing agreement	(2,221)	(1,803)
Transfer to disposal proceeds fund	(200)	-
	<u>443</u>	<u>420</u>

## 7 Interest Receivable and Similar Income

<b>Group</b>	<b>2015 £000</b>	<b>2014 £000</b>
From bank deposits	5	3
Finance income in pension scheme	244	34
	<u>249</u>	<u>37</u>

<b>Association</b>	<b>2015 £000</b>	<b>2014 £000</b>
From bank deposits	5	3
Finance income in pension scheme	219	30
	<u>224</u>	<u>33</u>

## 8 Interest Payable and Similar Charges

<b>Group and Association</b>	<b>2015 £000</b>	<b>2014 £000</b>
On housing loans	2,284	2,109
Amortisation of loan arrangement fees	33	33
	<u>2,317</u>	<u>2,142</u>

## 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 credit for tax of £11,000 (2013/14: charge £1,000) for Phoenix Agency Services.

## 10 Tangible Fixed Assets – Housing Properties

Group and Association	Completed held for letting £000	Property for market rent £000	Under construction £000	Total £000
<b>Cost</b>				
At 1 April 2014	151,300	-	600	151,900
Revision to cost estimate	1,588	-	-	1,588
Additions	-	154	530	684
Additions - works to existing properties	378	-	-	378
Less disposals	(1,125)	-	-	(1,125)
<b>At 31 March 2015</b>	<b>152,141</b>	<b>154</b>	<b>1,130</b>	<b>153,425</b>
<b>Social Housing and Gap Funding Grant</b>				
At 1 April 2014	38,195	-	-	38,195
Additions	-	-	529	529
Amortisation of grant	(1,471)	-	-	(1,471)
Less disposals	(360)	-	-	(360)
<b>At 31 March 2015</b>	<b>36,364</b>	<b>-</b>	<b>529</b>	<b>36,893</b>
<b>Depreciation</b>				
At 1 April 2014	18,741	-	-	18,741
Charge for the period	4,094	-	-	4,094
Less disposals	(134)	-	-	(134)
<b>At 31 March 2015</b>	<b>22,701</b>	<b>-</b>	<b>-</b>	<b>22,701</b>
<b>Net book value:</b>				
<b>At 31 March 2015</b>	<b>93,076</b>	<b>154</b>	<b>601</b>	<b>93,831</b>
At 31 March 2014	94,364	-	600	94,964

## 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 under construction is £8,835 of capitalised interest (2014: £nil).

The total accumulated grant received to 31 March 2015 was £46.5 million (2014: £43.8 million). Expenditure in respect of the improvement works liability is shown in note 16.

## 11 Other Fixed Assets – Intangible Assets

Group	Goodwill £000
<b>Cost</b>	
At 1 April 2014	447
Additions	-
<b>At 31 March 2015</b>	<b>447</b>
<b>Depreciation</b>	
At 1 April 2014	67
Charge for the period	89
<b>At 31 March 2015</b>	<b>156</b>
Net book value:	
<b>At 31 March 2015</b>	<b>291</b>
At 31 March 2014	380

## 12 Other Fixed Assets – Tangible Assets

### Group

	Freehold offices* £000	Commercial property and community buildings * £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
<b>Cost</b>						
As at 1 April						
2014	6,215	151	24	1,375	302	8,067
Additions	71	77	-	988	51	1,187
Disposals	-	-	-	(21)	-	(21)
<b>At 31 March 2015</b>	<b>6,286</b>	<b>228</b>	<b>24</b>	<b>2,342</b>	<b>353</b>	<b>9,233</b>
<b>Depreciation</b>						
As at 1 April						
2014	41	1	24	434	119	619
Charge for the period	125	17	-	328	55	525
Disposals	-	-	-	(21)	-	(21)
<b>At 31 March 2015</b>	<b>166</b>	<b>18</b>	<b>24</b>	<b>741</b>	<b>174</b>	<b>1,123</b>
<b>Net book value</b>						
<b>At 31 March 2015</b>	<b>6,120</b>	<b>210</b>	<b>-</b>	<b>1,601</b>	<b>179</b>	<b>8,110</b>
At 31 March 2014	6,174	150	-	941	183	7,448

\*Part of the head office is sublet to the Lewisham Plus Credit Union and Lewisham Council at a peppercorn rent. A community centre is also let to the Building Lives charity at a peppercorn rent.

## 12 Other Fixed Assets – Tangible Assets (continued)

### Association

	Freehold offices* £000	Commercial property and community buildings * £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
<b>Cost</b>						
As at 1 April						
2014	6,215	151	24	1,375	302	8,067
Additions	71	77	-	777	51	976
Disposals	-	-	-	(21)	-	(21)
<b>At 31 March 2015</b>	<b>6,286</b>	<b>228</b>	<b>24</b>	<b>2,131</b>	<b>353</b>	<b>9,022</b>
<b>Depreciation</b>						
As at 1 April						
2014	41	1	24	434	119	619
Charge for the period	125	17	-	328	55	525
Disposals	-	-	-	(21)	-	(21)
<b>At 31 March 2015</b>	<b>166</b>	<b>18</b>	<b>24</b>	<b>741</b>	<b>174</b>	<b>1,123</b>
<b>Net book value</b>						
<b>At 31 March 2015</b>	<b>6,120</b>	<b>210</b>	<b>-</b>	<b>1,390</b>	<b>179</b>	<b>7,899</b>
At 31 March 2014	6,174	150	-	941	183	7,448

\*Part of the head office is sublet to the Lewisham Plus Credit Union and Lewisham Council at a peppercorn rent. A community centre is also let to the Building Lives charity at a peppercorn rent.

### 13 Debtors

#### Group

	2015 £000	2014 £000
Amounts receivable within one year:		
Rental debtors	2,077	2,604
Less provision for bad debts	(1,578)	(1,786)
	499	818
Amounts owed by leaseholders	3,649	4,991
Other debtors	230	261
Grants receivable	1,952	2,242
Input VAT reclaimable	1,012	1,413
Deferred tax	21	11
Cash in transit	316	139
Prepayments and accrued income	1,348	938
	9,027	10,813
Amounts receivable in more than one year:		
Amounts owed by leaseholders	764	518
<b>Total debtors</b>	<b>9,791</b>	<b>11,331</b>

#### Association

	2015 £000	2014 £000
Amounts receivable within one year:		
Rental debtors	2,077	2,604
Less provision for bad debts	(1,578)	(1,786)
	499	818
Amounts owed by leaseholders	3,649	4,991
Amount owed by subsidiary undertaking	218	-
Other debtors	229	260
Grants receivable	1,952	2,242
Input VAT reclaimable	1,012	1,413
Cash in transit	316	139
Prepayments and accrued income	1,321	938
	9,196	10,801

### 13 Debtors (continued)

	2015 £000	2014 £000
<b>Association</b>		
Amounts receivable in more than one year:		
Amounts owed by leaseholders	764	518
	<hr/>	<hr/>
<b>Total debtors</b>	9,960	11,319
	<hr/>	<hr/>

### 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 £841,000 at 31 March 2015 (2014: £1,286,000).

### 15 Creditors: Amounts falling due within one year

Group	2015 £000	2014 £000
Rents prepaid	1,026	858
Trade creditors	1,563	1,541
Corporation tax payable	-	12
Other taxes and social security costs	191	222
Other payroll deductions	3	3
Right to buy sale clawback and VAT payable to Lewisham Council	3,141	2,740
Other creditors and accruals	2,830	2,056
Improvement works	7,774	12,107
Deferred income	215	219
Grant in advance	1,514	-
	<hr/>	<hr/>
	18,257	19,758
	<hr/>	<hr/>



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

Association	2015 £000	2014 £000
Rents prepaid	1,026	858
Trade creditors	1,525	1,532
Amount due to subsidiary undertaking	128	64
Other taxes and social security costs	146	177
Other payroll deductions	3	3
Right to buy sale clawback and VAT payable to Lewisham Council	3,141	2,740
Other creditors and accruals	2,830	2,056
Improvement works	7,774	12,107
Deferred income	215	219
Grant in advance	1,514	-
	<hr/> 18,302	<hr/> 19,756
	<hr/> <hr/>	<hr/> <hr/>

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

Group and Association	2015 £000	2014 £000
Improvement works	5,310	12,432
Loans	52,768	52,235
Disposal Proceeds Fund	200	-
	<hr/> 58,278	<hr/> 64,667
	<hr/> <hr/>	<hr/> <hr/>
<b>Group and Association</b>	<b>2015</b>	<b>2014</b>
Improvements works	<b>£000</b>	<b>£000</b>
At 1 April	24,539	38,930
Revision to cost estimate	1,588	969
Less expenditure in period	(13,043)	(15,360)
	<hr/>	<hr/>
At 31 March	13,084	24,539
	<hr/>	<hr/>
Amount due within one year	7,774	12,107
	<hr/>	<hr/>

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

Group and Association	2015 £000	2014 £000
Loans repayable other than by instalments as follows:		
In five years or more	53,500	53,000
Less issue costs	(732)	(765)
	<hr/>	<hr/>
	52,768	52,235
	<hr/>	<hr/>

In addition to the above debt, at 31 March 2015 Phoenix had undrawn loan facilities of £16.5m (2014: £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	5.22%	Fixed to December 2022
£10m	5.18%	Fixed to March 2023
£5m	4.86%	Fixed to March 2035
£5m	4.93%	Fixed to March 2035
£10m	4.81%	Fixed to March 2035
£5m	5.51%	Fixed to March 2022

## 17 Disposal Proceeds Fund

Group and Association	2015 £000	2014 £000
At 1 April	-	-
Grants recycled	200	-
Withdrawals	<hr/> -	<hr/> -
At 31 March	<hr/> 200	<hr/> -
Due within one year	-	-
Due within two years	-	-
Due within three years	200	-

## 18 Share Capital – Non Equity

	2015 £	2014 £
<b>£1 shares</b>		
At 1 April	2,620	2,468
Issued during the period	-	152
Cancelled	(15)	-
	<hr/>	<hr/>
At 31 March	2,605	2,620
	<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 registered society status, the maximum shareholding per member is 1 share.

## 19 Reserves

	2015 £000	2014 £000
<b>Group</b>		
Revenue reserve at 1 April	30,152	23,952
Surplus for the period	5,439	5,670
Actuarial (loss) /gain recognised in Statement of Total Recognised Surpluses and Deficits	(1,720)	530
	<hr/>	<hr/>
At 31 March	33,871	30,152
	<hr/>	<hr/>
	2015 £000	2014 £000
<b>Association</b>		
Revenue reserve at 1 April	30,105	23,952
Surplus for the period	5,473	5,665
Actuarial (loss)/gain recognised in Statement of Total Recognised Surpluses and Deficits	(1,443)	488
	<hr/>	<hr/>
At 31 March	34,135	30,105
	<hr/>	<hr/>

## 20 Capital Commitments

	2015 £000	2014 £000
Group and Association		
Capital expenditure that has been contracted for	11,155	19,017
Capital expenditure that has been authorised by the Board but has not yet been contracted for	26,708	23,843
Phoenix expects to finance the above expenditure by:		
Grant funding	10,270	9,492
Loan facilities	15,468	16,258
Other cash flows	12,125	17,110

## 21 Notes to the Cash Flow Statement

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

	2015 £000	2014 £000
Operating surplus	7,053	7,356
Depreciation net of grant amortisation	3,233	3,227
Pension adjustment	178	199
Decrease in debtors	859	522
Increase /(decrease) in creditors	216	(1,670)
	11,539	9,634

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

	2015 £000	2014 £000
(Decrease)/increase in cash in the period	(407)	972
Cash inflow from increase in debt	(500)	-
Change in net debt resulting from cash flows	(907)	972
Net debt at 1 April	(51,593)	(52,565)
Net debt at 31 March	(52,500)	(51,593)

## 21 Notes to the Cash Flow Statement (continued)

### (c) Analysis of changes in net debt

	At 31 March 2014 £000	Cash Flow £000	At 31 March 2015 £000
Cash at bank and in hand	1,407	(407)	1,000
Housing loans due after one year	(53,000)	(500)	(53,500)
	(51,593)	(907)	(52,500)

## 22 Operating Lease Commitments

### Group and Association

At 31 March 2015 Phoenix had annual commitments under non-cancellable operating leases as set out below:

	2015		2014	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	29	-	29
In one to two years	-	-	-	-
In two to five years	-	-	-	-
	-	29	-	29

## 23 Units Owned or Under Management

### Group and Association

	2015 Number	2014 Number
Units for rent at 1 April		
General needs housing accommodation	5,427	5,461
Less freehold sales	(21)	(17)
Less leasehold sales	(18)	(19)
Units acquired	-	2
Units for rent at 31 March	5,388	5,427
All general needs properties are social housing		
Leaseholders	842	823
Unit for market rent at 31 March	1	-

## 23 Units Owned or Under Management (continued)

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 252 Phoenix tenants (2014: 252) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £5.04 (2014: £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.

## 24 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 2015 were as follows:

	2015 % pa	2014 % pa
Pension increases	2.4%	2.8%
Salary increases	3.8%*	4.1%*
Expected return on assets	3.2%	5.8%
Discount rate	3.2%	4.3%

\* salary increases are assumed to be 1% per annum until 31 March 2016 reverting to the long term assumption shown thereafter (2014: 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 2014	CMI 2010 model assuming current rate of improvements have peaked and will converge to long term rate 1.25%	CMI 2010 model assuming current rate of improvements have peaked and will converge to long term rate 1.25%

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

## 24 Pensions (continued)

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

#### 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.

	2015		2014	
	Assets £000	Expected return % pa	Assets £000	Expected return % pa
Equities	16,207	3.2%	13,941	6.6%
Bonds	4,336	3.2%	3,679	3.5%
Property	1,826	3.2%	1,549	4.8%
Cash	456	3.2%	194	3.7%
<b>Total</b>	<b>22,825</b>		<b>19,363</b>	

Reconciliation of fair value of employer assets	2015 £000	2014 £000
<b>Opening Fair Value of Employer Assets</b>	19,363	14,490
Acquisitions	-	3,110
Expected return on assets	1,132	869
Contributions by members	138	129
Contributions by the employer	387	403
Actuarial gain	2,010	571
Benefits paid	(205)	(209)
<b>Closing Fair Value of Employer Assets</b>	<b>22,825</b>	<b>19,363</b>

Amounts recognised in the income and expenditure account	2015		2014	
	£000	% of pay	£000	% of pay
Current service cost	569	30.8%	542	27.9%
Interest cost	888	51.4%	835	43.5%
Expected return on employer assets	(1,132)	(67.0)%	(869)	(45.3)%
Past service cost	-	-	-	-
Losses on curtailment and settlements	-	-	60	3.9%
<b>Total</b>	<b>325</b>	<b>21.1%</b>	<b>568</b>	<b>29.0%</b>
Actual Return on Plan Assets	3,143	n/a	703	n/a

## 24 Pensions (continued)

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

<b>Analysis of amount recognised in statement of total recognised surpluses and deficits</b>	<b>2015 £000</b>	<b>2014 £000</b>
Actual return less expected return on pension scheme assets	2,010	571
Changes in assumptions underlying the present value of the scheme liabilities	(3,797)	(30)
<b>Actuarial (loss)/gain recognised in statement of total recognised surpluses and deficits</b>	<b>(1,787)</b>	<b>541</b>
Deferred tax credit/(charge)	67	(11)
	<b>(1,720)</b>	<b>530</b>

<b>Amount recognised in balance sheet</b>	<b>2015 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2012 £000</b>	<b>2011 £000</b>
Fair value of employer assets	22,825	19,363	14,490	12,698	12,155
Present value of funded liabilities	(25,598)	(20,413)	(15,361)	(12,802)	(11,799)
Deferred tax asset	159	100	-	-	-
<b>Net (liability)/asset</b>	<b>(2,614)</b>	<b>(950)</b>	<b>(871)</b>	<b>(104)</b>	<b>356</b>
Amount in the balance sheet:					
Liabilities	(2,614)	(950)	(871)	(104)	-
Assets	-	-	-	-	356
<b>Net (liability)/asset</b>	<b>(2,614)</b>	<b>(950)</b>	<b>(871)</b>	<b>(104)</b>	<b>356</b>
<b>Amount recognised in statement of total recognised surpluses and deficits</b>	<b>2015 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2012 £000</b>	<b>2011 £000</b>
Experience gains/(loss) on Assets	2,010	571	847	(511)	242
Experience gains/(loss) on Liabilities	68	283	4	(131)	1,993

<b>Reconciliation of defined benefit obligation</b>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Opening Defined Benefit Obligation</b>	<b>20,413</b>	<b>15,361</b>
Acquisition	-	3,669
Current service cost	569	542
Interest cost	888	831
Contribution by members	137	129
Actuarial losses	3,797	30
Past service cost	-	-
Losses on curtailment and settlements	-	60
Benefits paid	(206)	(209)
<b>Closing Defined Benefit Obligation</b>	<b>25,598</b>	<b>20,413</b>



## 24 Pensions (continued)

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

The net cost to the Group for the year was a cost of £569,000 (2014: cost of £568,000) covering 51 employees (2014: 57 employees). The contribution rate of Phoenix for the year ended 31 March 2015 was 20.4% (2014: 16.9%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2014: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2016 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. Following a review of pensions provision in the context of auto-enrolment, Phoenix elected to close the career average revalued earnings (CARE) (1/60<sup>th</sup> accrual rate) benefit structure to new members from 1 August 2014 and offer the SHPS defined contribution structure to new staff from this date. During the year Phoenix paid contributions at the rate of 10.8% in respect of the CARE structure (2014: 10.8%) and 6% (2014: nil) for the defined contribution structure. Member contributions were at the rate of 7.3% in respect of the CARE structure (2014: 7.3%) and 4% (2014: nil) for the defined contribution structure.

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.

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%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

The past service deficit contribution payable by Phoenix is £3,732 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 2014. At this date the estimated employer debt for Phoenix was £2,500,383 (September 2013: £1,252,673).

## 25 Legislative Provisions

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

## 26 Related Party Transactions

### Tenants and Leaseholders

Phoenix is a resident-led housing association and at 31 March 2015, seven of the association's 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

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

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:

	2015 £000	2014 £000
Amounts charged to Phoenix Community Housing for repair services	2,343	1,663
Recharge to Phoenix Agency Services for central services	197	177

There are no other related party transactions requiring disclosure.

## 27 Contingent Liabilities

### Counter indemnity and parent guarantee

The Council as the Administering Authority of the London Borough of Lewisham pension scheme has agreed to the subsidiary undertaking (see note 28) 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.

## 28 Subsidiary Undertaking

On 8 March 2013 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 results for the year and net assets at 31 March 2015 were:

	2015 £000	2014 £000
Net (liabilities)/assets at 31 March	(258)	52
(Loss)/profit after tax for the period ended 31 March	(33)	5

## 29 Post Balance Sheet Event

On the 8th July 2015 the Government presented its emergency Budget following the general election. The most significant announcement to impact on Phoenix as a business was that rents for social housing will be reduced by 1% a year for each of the next 4 years, rather than the current rent framework of rent increases being based on inflation (CPI) plus 1%.

This will have a significant impact on the Association's business plan in the medium to long term, with rental income projected to be £4 million lower by 2019/20 than currently forecast in the business plan. The Board and Executive are considering a number of actions including cost savings and additional income generation to mitigate the impact of the reduction in rental income, to ensure that financial covenants continue to be met and the loan is repaid within its term. This includes actions already identified from stress testing the current business plan.

The proposed reduction in rent may also have an impact on the valuation of the housing stock which provides security for the loan. However the current valuation is comfortably above the asset cover threshold for the loan and the Board and Executive do not anticipate that the reduction in valuation as a result of this change will cause any breach of this requirement.

No material impairment of the current housing stock is expected as the Board and Executive anticipate that the valuation will remain higher than the current net book value based on historic cost less grant and accumulated depreciation.