Phoenix

Our community in our hands

Board Report and Financial Statements

Year ended
31 March 2017

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Board Members, Executives and Advisors

Board members	Anne McGurk, Chair Carmen Simpson, Vice Chair (appointed May 2016) Pat Fordham, MBE Pat Crawford Councillor Alan Hall Andrew Harmer Stephen Howlett Peter Lewis Jamie Carswell Michael Boniface Councillor Jonathan Slater Mark Gayfer (appointed September 2016) The following Board members also served during the period: Phil Newsam (to September 2016) David Cummins (to May 2016)
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 (to January 2017) Mary Bennell, Interim Director of Property and New Business (appointed January 2017)
Secretary	Chris Starke
Registered Office	The Green Man 355 Bromley Road London SE6 2RP
Bankers and funders	Barclays Bank plc 28th Floor 1 Churchill Place London E14 5HP
Auditors	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY

Board report

The Board presents the consolidated financial statements for the year ended 31 March 2017.

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

Phoenix Community Housing has one subsidiary company, Phoenix Agency Services, which provides repair and maintenance services.

Business review

A review of the results for the year is included in the strategic report from page 6 onwards.

Governance

The Association's Board and Executive Officers are listed on page 1 of this report.

Phoenix is governed by a Board of 12 non-executive members comprising 6 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 overseen by the Board. Council nominated board members are appointed by the London Borough of Lewisham according to a protocol agreed with the Council. These non-executive members are responsible for the overall direction of Phoenix. The Chair of the Board is a tenant.

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

The Board is supported by three sub-committees as set out below:

- The Audit Committee is responsible for appointing and monitoring the work of internal audit, 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 at least one independent member 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 used to assess opportunities for the acquisition and development of new homes, and recommends to the Board any bids for grant funding to the Greater London Authority and other funding agencies.

The Association observes best practice with regards to corporate governance and complies with the recommendations in the National Housing Federation's (NHF) 2015 Code of Governance, with the following exceptions:

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.

An independent review of governance effectiveness has been commissioned and is due to complete in September 2017.

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

Community Empowerment Strategy

The Association is a Community Gateway whose members are all tenants and leaseholders. Membership of Phoenix at 31 March 2017 was 3,338.

A key part of the Community Empowerment Strategy is the 'Community Links', three consultative forums which any resident can participate in, and a 'Community Chest' fund of £100,000 each year to spend on the local community. Tenants make the final decisions about which projects are funded by voting on their priorities for funding from the applications submitted.

The Phoenix Gateway Committee (PGC) provides a key link between the Board, the Community Links and shareholding members, and considers an annual programme of strategic matters proposed by the Board. The PGC has an advisory role and provides a sounding board and forum for discussion on specific Phoenix proposals and services. The aim is to be both inclusive and promote joint working at all levels of the organisation, and also to assist in the succession of 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 two members 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. The PGC has shaped our approach to welfare reform, Value for Money, development, service charge consultation, community events, Annual General Meeting, Young Makers' Agency, supporting residents into work and digital inclusion.

A Resident Scrutiny Panel provides a specific resident forum to scrutinise Phoenix's service performance and help to improve services for all residents in line with arrangements set out in the Homes and Communities Agency's Regulatory Framework. The Scrutiny Panel is an independent body of residents working together to check and challenge our services and reports its findings and recommendations directly to the Board and Executive Team. The Scrutiny Panel completed 2 reviews during the year covering the complaints service and the lettings service and also checked our compliance with the consumer standards. Its recommendations have been considered and accepted by the Executive Team and the Board. The Board has also agreed that the Scrutiny Panel can act as a Tenant Panel for considering complaints.

A Policy Working Group, comprising of residents, reviews and comments on proposed policies prior to consideration by the Board. The Policy Working Group reviewed 11 policies during the year.

Phoenix operates an enhanced membership scheme, 'Gold Membership', for shareholding members. Under the scheme, residents earn points for keeping to certain agreements with Phoenix, for example, keeping their rent account up to date and paying by direct debit. These points are converted into a 'dividend' payment which is paid in shopping vouchers in 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 Gold Membership scheme was refreshed and relaunched during 2015/16 and 46% of all residents are now members.

The Academy Programme continued in 2016/17. In June 2016, 12 students graduated and these students and previous graduates subsequently completed a level 2 Chartered Institute of Housing practice qualification, funded by a bursary from Phoenix. All of the new trainees volunteered with Phoenix as part of their course. This has helped improve succession planning for our involvement groups and the Board.

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).

Compliance with the HCA's Governance and Financial Viability Standard was reviewed by the Board in July 2017. The Association complies with the Standard. Exceptions with regard to compliance with the NHF 2015 Code of Governance are noted on page 3. The HCA also publishes its assessment of providers' compliance with the Governance and Financial Viability Standard. Following an 'In-Depth Assessment' by the HCA in the autumn of 2016 our top rating of G1 for Governance was reaffirmed and our Viability rating was increased to the top rating of V1.

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.

Following consultation with residents, the Board agreed a set of Phoenix Standards in 2011, which were updated following further consultation with residents in March 2016. 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 with the corporate plan update to the Board every six months. The Scrutiny Panel also reviewed whether the information provided to assess compliance with the standards provided assurance.

Merger code

The Board has considered the NHF Merger Code and recognises that many of the principles of the Code are considered as good practice. However the Board has decided not to adopt the Code in full as it considers it would be distracting for the management and the Board to have to give detailed consideration to, and disclosure of, all preliminary approaches about merger.

The Board has agreed a set of criteria to support the Executive Team when considering initial approaches. The decision on whether an approach meets these criteria is delegated to the Executive Team and they will report to the Board on all approaches received and responses made.

Where an approach meets the criteria, and the Board agrees to progress discussions around a possible merger, Phoenix is committed to following the principles set out in the Merger Code. Where the Board declines an approach we will provide a response setting out the reasons.

Employees

Details of employees are set out in note 7 to the financial statements.

The Board and Executive Team consider that the involvement of staff is essential in providing a high quality service to the Association's residents. The Group is committed to consulting and involving staff on all aspects of its operations through staff briefings, team meetings, e-mail communications, newsletters and the intranet. We were recognised as one of the top 100 not-for-profit companies to work for in the Sunday Times Best Companies Awards and achieved Investors in People Gold accreditation in 2016/17.

Training

The core training programme covers health and safety, customer care, management development, induction for new staff and diversity. The Group also funds professional and academic qualifications for a number of staff. During the year, the Group employed 17 apprentices.

Diversity

The diversity of staff is a key performance measure and as at 31 March 2017 the staff employed by the Group comprised 25% black and minority ethnic employees, 51% women and 9 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 as a Disability Confident employer and is a member of Stonewall.

Health, Safety and Welfare of Employees at Work

The Group 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 receives a quarterly report on health and safety matters.

Phoenix Agency Services attained accreditation under the ISO 18001 standard.

Strategic Report

The Board presents their strategic report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2017.

Objectives and strategy for achieving those objectives

Our vision is "to work together to build a better future for our Phoenix community":

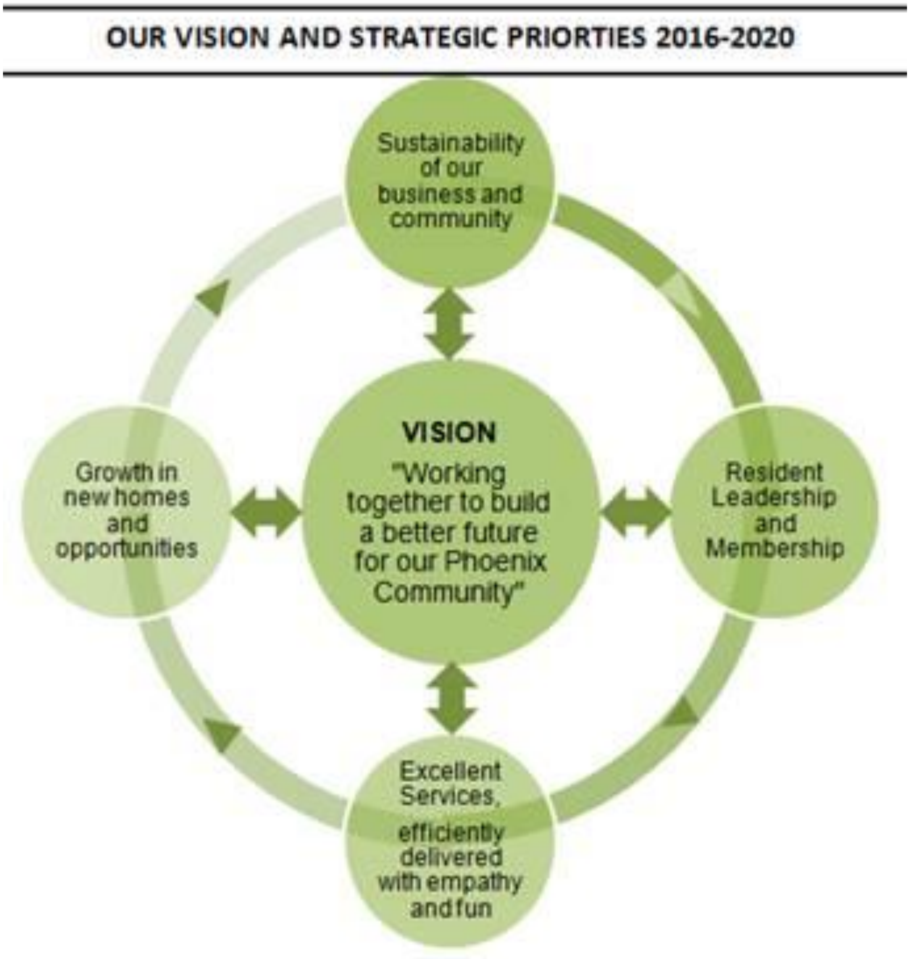
To build a better future for our Phoenix Community and embrace our gateway model of resident leadership and membership we need to build new homes and ensure our community is supported through physical and community regeneration activities.

To achieve this we will deliver excellent services being innovative and efficient, so Phoenix remains sustainable and we achieve our vision.

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

1. Resident leadership and membership.
2. Excellent services, efficiently delivered with empathy and fun.
3. Growth in new homes and opportunities.
4. Sustainability for our business and our community.

The four strategic objectives feed into one another. This is illustrated below.



The Board has reviewed and set corporate priorities in 2017/18 to deliver the vision:

1. Resident leadership and membership
   - Strengthen our business by making governance, service improvements and efficiencies based on resident insight and scrutiny, good practice and changes to our operating and regulatory framework.
   - Involving residents, review and set our Community Empowerment Strategy for 2018-2022.
   - Continue to promote and increase membership for residents and staff and maximise the ways our Gold Membership scheme adds value to members and our business.
   - Deliver and refine our Communication Strategy so we celebrate our successes and raise our internal and external profile so people want to join us or adopt our ways of working.

2. Excellent services, efficiently delivered with empathy and fun
   - Maintain and improve customer experience for all our customers.
   - In response to leaseholder feedback, enhance the opportunities for leaseholders to influence our promises, expectations and plans for improvement and make sure they are delivered across Phoenix.
   - Start to deliver our project to implement a customer relationship and electronic document management system to maximise efficiency and improve customer experience.
   - Deliver priorities for Equality, Diversity and Community Integration (cohesion) so we know who our residents are and can adapt our services to meet their changing needs and help build sustainable communities in our area.
   - Plan and deliver our major works programmes and environmental works so our homes continue to meet our decent homes standard and the community shapes our plans.

3. Growth in new homes and opportunities
   - Deliver our Development Strategy and explore new business opportunities to regenerate our community, build new homes and lever in funding to strengthen our business.
   - Support and monitor the delivery of our repairs service through Phoenix Repairs Services to ensure it increases resident satisfaction and adds value to Phoenix, through social value and efficiencies.
   - Review our Community Regeneration Strategy seeking to maximise the positive impact on our communities and supporting our residents to make the most of their money, access education, health services and employment to improve the quality of their lives.
   - Use 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 for our business and our community
   - Deliver our Value for Money and efficiency plans, so we confidently maintain our financial viability in the long term.
   - Ensure we assess the environmental impact of our services and support our community and residents to minimise their carbon footprint.
   - Deliver the "Aiming Higher Programme", continuing to learn to improve how we work together to meet our values so we enhance customer experience, innovation and efficiencies across Phoenix and deliver our vision.
   - Continue to maintain and improve our approach to health and safety.

Progress against the Corporate Plan is monitored and reported to the Board every six months.

Business model

Phoenix Community Housing is a not-for-profit resident-led Housing Association. 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. Our Community Gateway model places residents at the heart of both decision making and scrutiny. We are led by our residents and we encourage tenants and leaseholders to get involved in a wide range of consultative groups that play a key role in steering our future direction and how we allocate our resources. We also offer shareholding membership to residents, giving them a stake in the organisation.

Phoenix has established a subsidiary company, Phoenix Agency Services Limited, which provides the responsive maintenance service for Phoenix's housing properties.

Phoenix currently owns and manages 5,357 tenanted properties and 856 leasehold properties in the Bellingham, Downham and Whitefoot areas of Lewisham in South East London. Since transfer, Phoenix has invested £155 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, as well as operating surpluses. This major works and improvement programme commenced in 2008 and all the housing stock has been brought up to the Phoenix standard (which exceeds the Government's Decent Homes Standard). The business model has since evolved to include the development of new homes and regeneration projects.

Phoenix works in partnership with the Council and other agencies to improve the quality of life of people living and working in the Phoenix area. The Green Man head office and community facility opened in November 2013 and has successfully delivered the aims of the building to have a positive impact on the community, with the community hub providing a range of activities: a community café, a new branch office for the Lewisham Plus Credit Union and a training kitchen provided by Lewisham Council. There were 24,000 visitors to the Green Man during the year.

As well as developing new homes, Phoenix is undertaking a major project to refurbish the Fellowship Inn, a listed public house built as part of the Bellingham housing estate by the Greater London Council. The operating model adopted for this project enables risk to be shared with partners, while allowing Phoenix to retain some control and influence on the future operations without causing a conflict with its charitable purposes.

We have made significant investment in IT systems to facilitate the transfer of the management of the repairs service to the subsidiary from the previous contractor, and to support continued improvements in customer service.

Our bespoke management development programme and customer experience training continued during the year, as part of a wider cultural change programme - 'Aiming Higher'. The programme aims to improve the customer experience for our residents, help staff to be more customer and performance focused, and make Phoenix a great place to work.

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

Phoenix's achievements in 2016/17 were substantial including agreement of management and care provision arrangements for our new extra care scheme, confirmation of grant funding for the refurbishment of The Fellowship Inn, another successful year of operation for our Phoenix Repairs Service, strong performance on income collection and letting properties, and achieving Investors in People Gold accreditation. We secured grant funding for 26 new homes and Lewisham Council also agreed an amendment to the transfer agreement to allow Phoenix to retain the net proceeds from Right to Buy sales for the provision of replacement social housing.

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, had another successful year. This initiative also assists with resident Board member succession in the future. We also established the Young Makers' Agency (YMA), engaging with 102 young people to have a real influence in their local area.

Key performance indicators are shown below:

Performance indicator	2016/17	2015/16	2014/15	2013/14	2012/13	Comment
Tenant satisfaction with Phoenix as a landlord	n/a *	82%	n/a *	n/a *	84%	Survey undertaken in 2015 showed tenant satisfaction with Phoenix as a landlord remained in the top quartile of landlords in London. *no survey undertaken in the year
Rent collected as a percentage of gross rent receivable (excluding voids)	99.9%	99.6%	99.9%	100.4%	99.5%	Performance above 2015/16 but slightly below target of 100%. The Income Team continues to work well with the Council's housing benefit department to respond to the Government's welfare reforms, and provides financial inclusion support to residents.
Leaseholder service charges - amounts collected in year	£1.8m	£3.3m	£3.1m	£1.6m	£1.7m	Performance significantly better than target reflecting focus on income collection combined with support for leaseholders. Collection lower than 2015/16 reflecting profile of charges for works.
Leaseholder major works service charge arrears	£2.0m	£3.7m	£4.7m	£5.8m	£5.3m	Performance significantly better than target reflecting focus on income collection combined with support for leaseholders.

Performance indicator	2016/17	2015/16	2014/15	2013/14	2012/13	Comment
Total number of voids at 31 March	20	14	25	30	24	Increase in number of void properties at end of year; average during the year has been 15 reflecting strong demand for our properties and significant reduction in long term voids. Tenancy turnover remains low at just under 4%.
Average number of days taken to relet a property (short term voids)	22	23	27	28	25	Performance in 2016/17 better than target of 23 days.
Responsive repairs completed on time Responsive repairs completed right first time Gas safety checks completed on time	98% 93% 100%	99% 90% 100%	97% 88% 100%	97% 89% 100%	98% 89% 100%	Performance on repairs completed on time has been maintained at high levels throughout the year, and was just below target of 99%. Repairs completed on first visit was above target of 90%. Continued 100% of gas safety checks completed within target.
Percentage of homes meeting Decent Homes Standard	100%	100%	100%	100%	100%	One property not meeting the decent homes standard was sold in April 2015.
Complaints responded to on time	88%	93%	42%	63%	95%	Complaints policy and process focus on resolution of complaints. Although responses on time were below target of 95%, there were no escalations of complaints in the year.
Complaints escalated above stage 1	0%	3%	8%	8%	8%	The Customer Resolution team introduced in 2015 have significantly improved the resolution of complaints.

Current tenant rent arrears remain high at 4.8% as a percentage of rent receivable (4.8% at 31 March 2016) compared to similar associations. Former tenant arrears have reduced to 0.86% of rent receivable compared to 0.96% in 2015/16 following decisions by the Board to write off £236,000 of the arrears owed by former tenants which are not collectable. The reduction of current and former tenant arrears is a continued area of focus while also providing financial inclusion services to residents directly and in partnership with Citizens Advice and the Credit Union.

The subsidiary company, Phoenix Agency Services, achieved most of its performance targets for the repairs service to Phoenix as well as undertaking some planned maintenance works and entering its first contract for work outside the Group. A review of whether the repairs service should continue to be delivered by a wholly owned subsidiary or be delivered by a Direct Labour Organisation was carried out and concluded that the subsidiary model should continue.

The programme of major works and improvements to the housing stock continued during the year with total expenditure of £6.5 million to 31 March 2017 principally on external works to properties. This was below the budget for the year, due to works to some blocks being carried forward to 2017/18 to allow further consultation with leaseholders and a later start on site of new contracts let during 2016.

The Board agreed to operate a six-month pilot for a private lettings management service under the trading name 'Home Makers'. The pilot focused on leaseholders who sublet their property as this was one of the promises to leaseholders at transfer. Following a review of the pilot the Board agreed to continue Home Makers and establish it as a new subsidiary to offer lettings services to other landlords in the Phoenix area.

The number of homes managed by Phoenix reduced during the year due to the sale of 12 properties through the Preserved Right to Buy (RTB). In response, Phoenix is developing new homes and our first development, an 'Extra Care' housing scheme comprising 60 flats and communal facilities adjacent to an existing older persons scheme at Hazelhurst Court, is on site and due to complete in September 2017. Progress was also made in the year to agree the operational arrangements and Lewisham Council have appointed a care provider for the scheme. We secured grant funding from the Greater London Authority and Lewisham Council for the development of 22 flats for affordable rent on amenity land adjacent to an existing block at Forster House and 4 new homes on the site of a previously demolished property. The Council has also agreed to amend the terms of the transfer agreement so that Phoenix retains the net proceeds from RTB sales to invest in the provision of social housing.

Phoenix continued to acquire the freehold interest or extend the lease on properties which were originally transferred subject to long leases to ensure that Phoenix's long term interest in the properties is protected and to minimise the risk to tenants. At 31 March 2017 there were 4 properties remaining to enfranchise or extend the lease.

Work continued on the design and feasibility of plans to improve the Fellowship Inn and enable the provision of community resources, including a café, live venue and cinema, and training and employment opportunities for local people. Lottery funding of £135,000 was received during the year towards the cost of feasibility work and urgent repairs, and a partner appointed to operate the proposed commercial leisure uses of the building. The Heritage Lottery Fund also confirmed the capital grant of £4m to complete the Fellowship Project and the works are due to start in 2017/18.

During the year Phoenix employed 17 apprentices (including 6 in Phoenix Agency Services) through the Mayor of Lewisham's apprenticeship scheme. A Building Lives Academy was launched in January 2015 from one of the community centres. Unfortunately, a reduction in donations and lack of new donors for Building Lives resulted in the charity not having sufficient funds to continue and its operations ceased on 30 June 2016. The lease was transferred to Barking & Dagenham College and has been extended to July 2018 to allow Barking & Dagenham to deliver a new training programme in partnership with Saint-Gobain and Barnardo's.

The Young Makers' Agency (YMA), a youth project for 13-19 year olds living in Beckenham Hill, Bellingham and Downham, was established with 102 young people recruited exceeding the original target figure. Following a green Infrastructure audit the YMA will be working alongside other residents to inform future environmental improvements and develop a programme to implement improvements between 2018 and 2020. Phoenix has also joined the Housing Association Youth Network and contributed to the submission of a £800,000 bid to the GLA 2Work fund.

A restructure of the Income team was completed during the year. This increased resources for financial inclusion work to support residents and ensures that all arrears recovery action is delivered from within a single team so that consistent approaches are taken, including financial inclusion activities, irrespective of tenure type. The cost of the restructure (£58,000) was recognised in 2016/17.

The ‘Aiming Higher’ programme continued to be delivered with its impact being reflected in our Investors in People Gold accreditation, a reduction in complaints and complaints escalation.

A major project to implement Customer Relationship Management (CRM) and Electronic Document and Records Management (EDRM) systems commenced in 2016/17. The project aims to deliver more efficient and agile services with all property and customer information maintained in a central database to enable customers to access services through their preferred method at a time to suit them, including through self-service.

Financial results including effects of material estimates and judgements upon reported performance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for registered social housing providers (Housing SORP 2014).

The Statement of Consolidated Income on page 28 shows an operating surplus of £9.1 million (2016: £9.8 million) on turnover of £33.4 million (2016: £35.2 million). The main reason for the decrease in turnover was the rent reduction of 1% applied in April 2016 in accordance with the Welfare Reform and Work Act and a significant reduction in major works recharges to leaseholders. Recharges of major works to leaseholders of £0.2 million (2016: £1.4 million) and the related works are included in non-social housing activities.

The operating surplus includes the surplus on property sales from the Preserved Right to Buy of £1.1 million (2016: surplus of £0.3 million). The Council agreed that Phoenix can retain the net proceeds from RTB sales with effect from April 2016 on the basis that the proceeds are invested in the provision of social housing, which are transferred to a new restricted reserve. In the year the Association sold 12 properties under the Right to Buy of which the amounts transferred to the restricted reserve was £1.2 million (2016: £nil).

After interest payable net of other finance income of £2.2 million (2016: £2.5 million), the surplus for the year was £6.9 million (2016: £7.3 million). The surplus for the year is being invested in the continuing major works programme for existing properties plus the development of new homes. This is reflected in the Consolidated Statement of Cash Flows on page 34 which shows net cash outflow from investing activities of £16.6 million (2016: £10.0 million).

The Consolidated Statement of Financial Position is shown on page 32. The Association adopted a valuation of its completed freehold housing properties as at 1 April 2014 at £154 million as deemed cost. The valuation was based on the revaluation of the housing properties at 31 March 2014 undertaken by the Association's valuer, Jones Lang LaSalle, using the existing use valuation for social housing method (EUV-SH). Movements in housing properties subsequent to 1 April 2014, including the development of new homes, disposals and expenditure on existing properties, result in the net book value of housing properties being £186 million at 31 March 2017. Social Housing Grant of £2.6 million received towards the cost of development of the extra care scheme is included in creditors. Once the development is complete, the grant will be amortised to income over the life of the structure.

Investment properties comprise privately let garages and a commercial lease of part of the Fellowship Inn, and were recognised at fair value at 31 March 2017 based on a valuation undertaken by an independent professional valuer for the Fellowship Inn and an estimate using the projected cash flows from the garages discounted at a market rate of interest of 7% (2016: 8%).

Goodwill of £113,000 (2016: £202,000) relates to the net pension liabilities assumed by the subsidiary, Phoenix Agency Services, following the transfer of staff from the previous 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, Lewisham Council for the provision of a training kitchen and office space for the Lewisham Music Hub.

Debtors include £1.7 million (2016: £3.4 million) in respect of major works recharged to leaseholders. This has been split between amounts due within one year and after more than one year, the latter where the leaseholder has entered into a repayment agreement. Judgements have been made in determining the appropriate discount rates used in the assessment of the net present value adjustment for repayment agreements for leaseholder debtors. The net present value adjustment at 31 March 2017 was £86,000 (2016: £155,000). The assessment of the bad debt provision in respect of tenant rent arrears has taken into account the impact of the welfare reforms.

The Group 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 from Lewisham Council on 3 December 2007. The share of the LGPS surplus or deficit is included on the balance sheet in accordance with FRS102 and was a liability of £1.3 million at 31 March 2017 (2016: £0.8 million). In determining the Group's share of the Local Authority defined benefit pension scheme assets and liabilities, the scheme actuary has used estimates of life expectancy, salary growth, inflation and the discount rate for corporate bonds. The increase in the net liability is due mainly to the change in discount rate used to assess the pension liability.

The SHPS CARE structure was closed to new members in 2014 and new staff enrolled into the defined contribution structure. The SHPS CARE scheme, a multi employer defined benefit pension scheme of which Phoenix is a member, has been accounted for as a defined contribution scheme. Phoenix has agreed to a deficit funding arrangement and has recognised a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit, using a discount rate based on high quality corporate bonds. In the year to 31 March 2017 an additional charge of £7,000 was recognised in the Statement of Comprehensive Income and the liability at 31 March 2017 was £138,000.

The revaluation reserve of £49.4 million (2016: £49.5 million) arises as a result of the adoption of deemed cost for completed housing properties at 1 April 2014, as noted above.

Cash inflows and outflows during the year appear in the cash flow statement on page 34. The cash inflow from operating activities was £14.2 million (2016: £14.7 million). During the year the Group spent £17.3 million (2016: £12.0 million) on housing properties and other fixed assets, 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 and grants of £0.7 million (2016: £1.9 million) and £4.75 million drawdown of loans (2016: £nil).

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

£000	2016/17	2015/16	2014/15	*2013/14**	*2012/13**
Turnover	33,423	35,170	34,064	*32,659*	*34,089*
Operating surplus	9,092	9,784	6,726	*7,776*	*7,444*
Net Interest payable	(2,157)	(2,469)	(2,397)	*(2,105)*	*(1,989)*
Surplus for the period before tax	6,935	7,315	4,329	*5,670*	*5,455*
Operating margin %	27%	28%	20%	*23%*	*22%*
Housing properties	186,339	173,626	165,692	*94,964*	*96,604*
Investment property	577	569	339	-	-
Other fixed assets – tangible assets	6,546	6,750	7,020	*7,448*	*4,549*
Other fixed assets – intangible assets	870	1,025	1,299	*380*	-
Net current (liabilities)/assets	(149)	339	(403)	*(7,020)*	*1,450*
Improvement works liability falling due after more than one year	(157)	(159)	(159)	*(12,432)*	*(25,576)*
Other liabilities	(1,142)	(1,158)	(529)	-	-
Loans	(57,583)	(52,800)	(52,768)	*(52,235)*	*(52,202)*
Pensions liability	(1,277)	(822)	(2,614)	*(950)*	*(871)*
Revenue reserves and share capital	83,334	77,836	68,269	*30,152*	*23,952*
Revaluation reserve	49,443	49,534	49,608	-	-
Restricted reserve	1,247	-	-	-	-
Net cash inflow from operating activities	14,206	14,742	12,403	*11,262*	*8,179*
Net interest payable	(2,188)	(2,300)	(2,135)	*(2,078)*	*(2,049)*
Capital expenditure	(17,278)	(11,971)	(13,508)	*(17,783)*	*(29,360)*
Grants	700	1,952	2,333	*9,571*	*4,600*
Loans drawn down (net)	4,750	-	500	-	*18,000*
Number of properties					
General needs	5,357	5,369	5,388	*5,427*	*5,461*
Leaseholders	856	849	842	823	811

** 2013/14 and prior year figures in italics are based on previous UK generally accepted accounting practice and have not been restated to reflect the adoption of FRS 102.*

Future prospects

Under the Welfare Reform and Work Act, rents for social housing will be reduced by 1% a year for the four years from 2016 to 2019. The rent reductions have a significant impact on the Association's business plan in the medium to long term, with annual rental income projected to be £4 million lower by 2019/20 than previously forecast. The Board and Executive have reviewed and agreed a number of actions including cost savings and additional income generation to mitigate the impact of the reduction in rental income. The financial plan has been updated to reflect these changes and continues to show that the current loan can be repaid within its term. The current valuation of the housing stock, which provides security for the loan, is comfortably above the asset cover requirement for the loan.

The Board has approved a future development strategy to build an additional 200 new homes including 100 for shared ownership and 30 for private sale to provide cross subsidy for social rent. The development strategy involves total additional capital expenditure of £55 million, which will be partly funded by anticipated grant, private sale receipts and first tranche shared ownership proceeds, as well as additional funding for which options are being appraised. The arrangement of new funding may involve restructuring existing loans with the potential for a significant charge to income in respect of break costs.

Key priorities for the next year include: the completion and letting of the new extra care scheme and construction of another 26 new homes; securing the new finance to support the future development strategy; commencing the refurbishment of the Fellowship Inn; agreeing a three year plan for the Phoenix Repairs Service including targets for new business; continuing the 'Aiming Higher' cultural change programme; implementation of the CRM and EDRM systems in line with milestones set for the project; establishing a separate subsidiary for the 'Home Makers' private lettings business; bringing the grounds maintenance service 'in house'; improving leaseholder satisfaction with Phoenix services; and developing a programme of environmental improvements in consultation with residents, including the Young Makers' Agency.

Following the Grenfell Tower tragedy in June, we considered whether there were any immediate actions that should be taken with regard to Phoenix stock. We have a thorough and robust approach to fire safety in all of the properties and blocks that we manage and engage an independent company to undertake fire risk assessments in blocks to manage the risks of fire. None of our properties have been fitted with the type of cladding that was used for the Grenfell Tower refurbishment.

The investigations into the cause and spread of this dreadful fire are continuing and the Board will consider any changes in requirements that are made as a result of the public inquiry.

Description of the principal risks and uncertainties faced

The Board approves the risk strategy and risk appetite, reviewing this at least annually, and ensures that stress testing and multivariate tests of the financial plan are completed. The principal risks that may affect the Group's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly, and are also included in the Corporate Health indicators reviewed by the Board at each meeting.

The principal risks to successful achievement of the Group's objectives are:

Changes in legislation and Government policy

This is a sector wide risk given the proportion of rent paid via housing benefit and the dependency on grant funding for the development of new affordable homes. There remains uncertainty over the policy on social rent at the end of the period of reductions under the Welfare Reform and Work Act. This risk is being managed by regular monitoring of policy announcements and stress testing of the financial plan.

Rent collection and welfare reform

The roll out of Universal Credit and implementation of other changes to welfare benefits and tax credits will have an increasing impact on our residents. We continue to support residents in managing the welfare reforms through information, advice and training and the Board receives updates on the welfare reform action plan.

New development not achievable within scheme appraisal parameters

The volume of infrastructure projects and strong demand for housing has led 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 Committee prior to approval by the Board. Separate risk maps are developed for each project and progress is monitored by the Development Sub-Committee.

Mayoral elections at Lewisham

There may be some Instability and delays in decision making in the lead up to Mayoral elections at Lewisham which could impact on delivery of key Phoenix projects, such as the development of new homes and letting of Hazelhurst Court. We continue to place emphasis on good working relations with the Council at a strategic level.

High inflation exceeds business plan assumptions

The recent fall in sterling has caused an increase in inflation. The latest financial plan reflects the Bank of England forecasts for inflation and the procurement strategy is being reviewed to mitigate this risk.

Data Protection breach

New data protection regulations come into effect from May 2018 which include potentially significant fines for material breaches. A working group supported by an external advisor is reviewing our policy and procedures to enhance our compliance.

Breach of Health & Safety legislation

Phoenix as a landlord and employer has considerable health and safety responsibilities. The Board receives quarterly reports on health and safety matters and independent audits are undertaken of the systems to manage this risk for Phoenix Repairs Service.

Availability and pricing of finance

The Board has approved a future development strategy which requires additional funding above the current loan facility. Access to additional or new finance will be secured prior to any contractual commitment for new development.

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 financial plan.

Financial risk management objectives and policies

The Association's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Association's Treasury Management Policy approved by the Board. The Association does not use derivative financial instruments for speculative purposes.

The Association uses interest rate swaps embedded within the loan to hedge the financial risk of changes in interest rates and at 31 March 2017 £40 million (69% 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 61% to 97% over the next 10 years, in line with the Board's Treasury Management Policy, and averages 86% over the term of the loan. The fixed interest rates range from 4.8% to 5.2%.

The Association's principal financial assets are bank balances and cash, rent arrears, service charge arrears including major works, and other receivables. The credit risk is primarily attributable to rent and service charge arrears and the amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Association has no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.

The Association has a long term loan facility with Barclays Bank plc of £70 million arranged at transfer to finance the major works and improvement programme to the housing stock. At 31 March 2017 the Association had borrowed £58.25 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 in 2013 to create a tranche of development funding within the existing £70 million facility.

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.

At 31 March 2017 the Group had £11 million (2016: £18 million) of contracted capital commitments which will be funded by a combination of operating surpluses, capital grants and drawdown of debt under the Association's loan facility.

The Association has agreed financial covenants with Barclays Bank in respect of cash deficits and asset cover. For the year to 31 March 2017, the Association met these financial covenants.

Going Concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to credit, liquidity and cash flow risk are described above.

The Group has considerable financial resources and, as a consequence, the Board believe that the Group is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After reviewing the budget for 2017/18 and the long term financial plan, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Value for Money Self-Assessment 2016/17

The Regulatory Framework for Social Housing includes a specific standard for Value for Money. Our regulator, the Homes and Communities Agency (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).

In autumn 2015 our Board reviewed our vision, corporate plan and financial plans to make sure we could respond to the government's decision to reduce social housing rents by 1%. The Board reaffirmed our vision but clarified what this meant:

- To build a better future for our Phoenix Community and embrace our gateway model of resident leadership and membership we need to build new homes and ensure our community is supported through physical and community regeneration activities.
- To achieve this we will deliver excellent services being innovative and efficient, so Phoenix remains sustainable and we achieve our vision.

The Board reviewed and approved the Value for Money Strategy in July 2016. 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.

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 £155 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 2017.

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 76% in the most recent STAR survey in 2015, and the reduction in the average number of days to relet a property from 72 days to 25 days for all voids, and 22 days for voids not requiring major works. There is strong demand for Phoenix housing stock and the number of void properties and amount of rent loss through voids has significantly reduced year on year from the position at transfer and has been retained at the top quartile for our peer group for the last three years.

The overall financial return on capital for our housing stock is set out below:

General needs	**2014/15**	**2015/16**	**2016/17**
	£'000	**£'000**	**£'000**
Operating surplus from Social Housing Activities (excluding property sales)	7,085	9,480	8,430
Historic cost of completed housing properties (net of grant and depreciation)	118,062	123,305	126,540
Return on capital	**6.0%**	**7.7%**	**6.7%**

The decrease in return on capital in 2016/17 is due primarily to the reduction in rent from April 2016, and a planned increase in community engagement costs.

The financial performance of Phoenix since transfer has been better than that assumed in the transfer business plan, resulting in lower drawdown of debt from the loan facility established at transfer. The Board agreed to apply the spare capacity in the loan facility to the development of 100 new homes which are under construction. The Board has approved a future development strategy to build an additional 200 new homes including 100 for shared ownership and 30 for private sale to provide cross subsidy for social rent, subject to raising additional finance for which funding options are being appraised. Lewisham Council has agreed an amendment to the transfer agreement to allow Phoenix to retain the net proceeds from Right to Buy sales for the provision of replacement social housing.

The Asset Management Strategy recognises the need to assess the performance of properties, in terms of their economic and social return, at a 'granular' (detailed) level. A new asset management system has been implemented which provides this detailed analysis to enable an assessment of a property's return to inform future decisions to invest in properties or consider alternative use, including disposal, to support the strategy. There are two properties with a negative net present value which are part of a block of 16 bedsits for which plans for redevelopment have been approved by the Board.

The system also helps to plan future programmes of major works and component replacements.

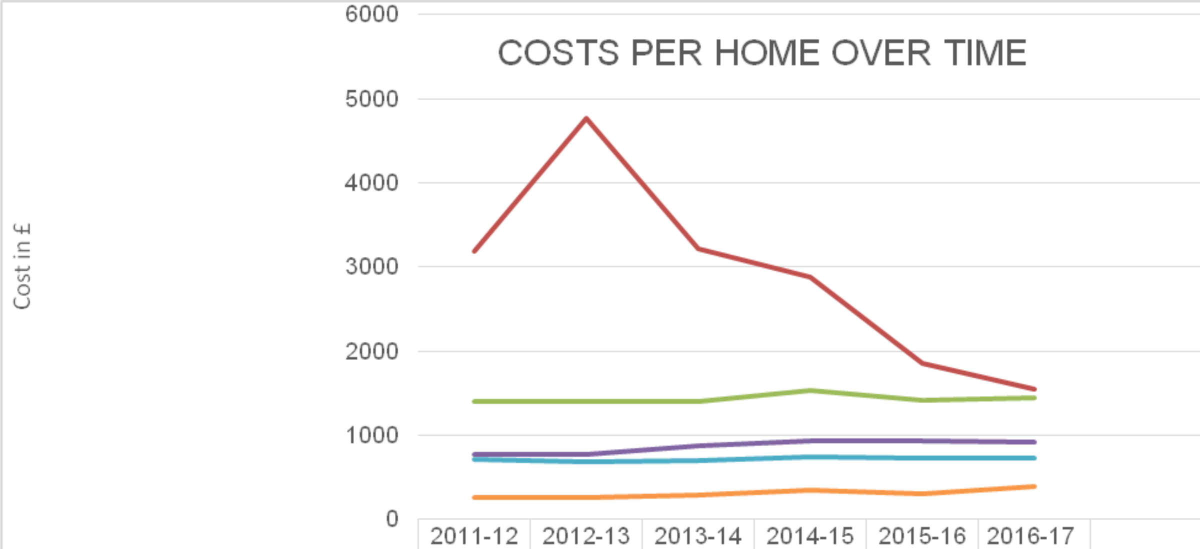
Social return on assets
The Green Man head office and community facility provides access to services for residents in the heart of the Phoenix area and is also key to driving the wider regeneration of the area. The investment in community facilities and initiatives is part of our Community Regeneration Strategy. A relatively small investment can help to transform an individual's life and also improve a neighbourhood.

The total cost of our community empowerment and regeneration activities in 2016/17 was £742,000 net of income received, around 2.9% of total operating costs (£627,000 in 2015/16; 2.7% of total operating costs). We used the Social Return on Investment (SROI) model and the Housing Association Charitable Trust (HACT) model to assess the return on some of our activities during the year. A range of positive returns per £1 invested were achieved dependent on numbers reached and external grants received. The results are used to plan activities in the future and maximise future outcomes.

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 we are seeking to achieve.

The Homes and Communities Agency (HCA), our regulator, publishes a cost per home analysis of all registered housing associations. Using this analysis our costs have decreased over time and are projected to reduce further in 2017/18. This is illustrated in the graph below.



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Major repairs cost per home	3186	4766	3209	2885	1860	1546
Maintenance cost per home	1407	1400	1402	1532	1415	1440
Management cost per home	771	776	867	925	930	914
Service cost per home	709	679	702	744	732	734
Other social housing costs per home	263	261	293	339	305	386

The table below compares our cost data to the median of all 32 London based Associations with more than 1000 Social Housing homes for 2015/16 (the latest available data):

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Headline social housing cost per home	Between median and upper quartile	The most significant element is major works – see commentary below.	See commentary below.
Management cost per home	Upper quartile	The more detailed benchmarking of costs via Housemark (see below) confirms that we provide an efficient housing management service.	The Corporate Plan includes projects to implement Client Relationship Management and Electronic Data Record Management systems which will enable further savings to be made in the delivery of services.
Service Charge cost per home	Between median and upper quartile	Service costs include water rates where we act as an agent on behalf of the utility company. Excluding water rates our service costs are in the upper quartile (lowest cost). The majority of service costs are covered by service charges to residents.	The corporate plan includes a review of our grounds maintenance service in 2017/18. Service costs will increase in 2017/18 due to the impact of the new extra care scheme but these will be covered by service charge income.
Maintenance cost per home	Between median and lower quartile	The more detailed benchmarking of costs via Housemark (see below) confirm that our void work costs are particularly high, reflecting the extent of work required to properties, including garden clearance, to meet our void standard.	The budget for 2017/18 reflects further savings for the repairs service but this is offset by an increase in the number of voids requiring works, in anticipation of the impact of allocations to the new extra care scheme.
Major repairs cost per home	Lower quartile	This reflects the continuing major works programme as part of the stock transfer commitments.	The financial plan reflects a significant planned reduction in expenditure from 2017/18.
Other social housing costs per home	Between median and upper quartile	This includes the cost of our community regeneration activities. It also includes the cost of corporate services recharged to the subsidiary, Phoenix Agency Services, which is covered by income from the subsidiary.	The budget for 2017/18 reflects a lower level of spend in community regeneration activities.

We are also a member of a benchmarking group (Housemark) which provides more detailed comparative information on costs and performance. 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 shows a positive direction of travel for some areas with improving performance and costs compared to our peers but increasing costs or poorer performance relative to our peers in others. An analysis of key value for money indicators is set out in the table below:

Value for Money indicator	Phoenix 2015/16	Phoenix 2014/15	Phoenix 2013/14	Phoenix 2012/13	Peer Group 2015/16 Median
Housing management costs per home	£598	£536	£577	£571	£608
Responsive and void repairs cost per home	£863	£1,150	£1,042	£1,002	£910
Estate service costs per home	£368	£376	£328	£301	£287
Overhead cost as a percentage of turnover	13.9%	15.2%	16.1%	15.2%	13.7%
Void losses %	0.28%	0.33%	0.42%	0.47%	0.68%

The costs per home for Housemark benchmarking are on a different basis from the HCA's cost analysis, for example, in the HCA analysis maintenance includes planned and cyclical repairs, Housemark management costs exclude items such as property insurance and Housemark service costs exclude water rates collected on behalf of the utility provider.

Satisfaction

Overall tenant satisfaction based on the last STAR survey in 2015 was maintained at upper quartile performance (82%) compared to peers in our benchmark group, as well as in our area (all Housemark members in London). The Board expects this upper quartile performance to be maintained. Tenant satisfaction that their rent provides Value for Money did increase significantly and is in the top quartile compared to our peers. The Board noted the latest satisfaction survey of leaseholders in 2015/16 showed a reduction in satisfaction to the level achieved just after stock transfer, despite work during 2014/15 and 2015/16 intended to improve leaseholder satisfaction. As a result the Board approved a specific corporate priority for 2016/17 to enhance the opportunities for leaseholders to influence our promises, expectations and plans for improvement. Another survey was completed in 2016/17 to check progress which showed that leaseholder satisfaction overall had increased by 15%. Work is ongoing to improve satisfaction with listening to leaseholder views and value for money with service charges.

Costs

Management costs overall are below the median in our peer group although higher than previous years reflecting increased resources in the area of rent collection and financial inclusion. Overall revenue maintenance costs decreased significantly compared to 2014/15, as a result of savings achieved through the new Phoenix Repairs Service operated through our subsidiary from April 2015 and reduction in revenue works in void properties. Overall costs remain higher than our peers mainly due to the level of void works. A large proportion of Phoenix's stock is 70 to 80 years old and 52% of tenancies ending were due to evictions, abandonment, death or a move to sheltered housing or registered care. When these properties become empty, there is frequently a large amount of work to do to achieve the agreed letting standard. A review of how we managed the ending of these tenancies was carried out in 2016/17 and void costs decreased. 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 continues to undertake. This has reduced compared to earlier years which reflects the planned profile of works.

Value for money gains

In last year's statement we set out the key value for money initiatives for 2016/17. In total we achieved value for money gains of just over £433,000 against target savings of £489,000. The Value for Money gains have been invested as follows:

- Reducing our operating costs in response to the reduction in social rents required by the Welfare Reform and Work Act.
- Meeting additional costs outside our control such as the apprenticeship levy and increase in insurance premium tax.
- Community Chest funding.
- Employment of apprentices.
- 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.

Our Corporate Plan includes a number of initiatives to further reduce our operating costs to achieve our revised financial plan projections. The budget for 2017/18 reflects total savings of £508,500.

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. The full Value for Money self-assessment is available on our web site: http://www.phoenixch.org.uk/performance.

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.

The Board undertook a review of its approach to risk management and approved a revised risk framework and risk management strategy in November 2014 and updated this in May 2016. The Board sets the risk appetite and reviews this at least annually and ensures that stress testing and multivariate tests of the financial plan are completed. The principal risks that may affect the Group's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly, and are also included in the Corporate Health indicators reviewed by the Board at each meeting.

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

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

- sound corporate governance arrangements including the adoption of the principal recommendations of the NHF's Code of Governance;
- a long term financial plan and corporate plan with specific targets and objectives;

- an organisational structure with clearly defined lines of responsibility and delegations of authority. These are set out in Standing Orders and Financial Regulations and detailed policies and operational procedures;
- an ongoing programme in place for reviewing all key policies, in consultation with residents through a policy working group, on a regular cycle to ensure that they are effective and reflect the latest legislation and regulatory requirements;
- a staff and Board code of conduct;
- a staff appraisal process including appropriate training and development opportunities;
- preparation of monthly management accounts incorporating revised forecasts which allow the Board and management to monitor financial performance. Significant variances from budgets are investigated and reported;
- a performance report including key performance indicators for review by the Executive Team on a monthly basis and by the Board on a quarterly basis. The format of this report has been reviewed and changes agreed by the Board, including KPI targets and tolerances outside of which a detailed report explaining the action being taken is required;
- all significant new initiatives, major commitments and investment projects being subject to approval by the Board; and
- contingency planning arrangements to ensure the security of data, the ability to recover computer systems and maintain services in the event of major interruption.

Process for reviewing the effectiveness of the Internal Control System

The Board has established a process to review and gain assurance on the effectiveness of the system of internal control. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed. The framework comprises different sources of assurance, the most significant ones being reports from the internal auditors, 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 previous recommendations and the extent to which these have been implemented;
- a review of complaints is undertaken and the results reported to the Board;
- there is a comprehensive set of financial and operating policies and procedures covering all aspects of the business;
- the Audit Committee presents its Annual Report to the Board outlining its work during the year to support the assurance work on internal controls; and
- the Board receives an annual report from the Chief Executive outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal control.

The Board has approved 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.

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.

Auditor

A resolution to reappoint the auditor, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting in September 2017.

On behalf of the Board
Anne McGurk
Chair

Date: 27 July 2017

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 registered social housing providers, 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 2015. 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 2017 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Changes in Reserves, the Consolidated and Association Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 32. 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) including FRS 102 "The Financial Reporting Standard applicable to the UK and Ireland".

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 26, 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.

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 2017 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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

Date:

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	2017 £000	2016 £000
TURNOVER	4	33,423	35,170
Operating expenditure	4	(25,236)	(25,716)
Other income		(208)	70
Gain on sale of property, plant and equipment	8	1,113	260
OPERATING SURPLUS	4	9,092	9,784
Interest receivable	9	40	2
Interest payable and financing costs	10	(2,197)	(2,471)
SURPLUS FOR THE YEAR BEFORE TAXATION		6,935	7,315
Tax (charge)/credit on surplus on ordinary activities	11	(33)	21
SURPLUS FOR THE YEAR		6,902	7,336
OTHER COMPREHENSIVE INCOME			
Actuarial (loss)/gain on pension scheme	29(a)	(248)	2,157
TOTAL COMPREHENSIVE INCOME		6,654	9,493

All amounts relate to continuing activities.

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2017

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2015	68,266	49,608	-	117,874
Surplus for the year	7,336	-	-	7,336
Actuarial loss	2,157	-	-	2,157
Transfer from revaluation reserve	74	(74)	-	-
Balance at 31 March 2016	77,833	49,534	-	127,367
Surplus for the year	6,902	-	-	6,902
Actuarial gain	(248)	-	-	(248)
Transfer between reserves	(1,156)	(91)	1,247	-
Balance at 31 March 2017	83,331	49,443	1,247	134,021

All amounts relate to continuing activities.

Revenue reserve represents the accumulated surplus on the Statement of Comprehensive Income.

Revaluation reserve comprises the revaluation gain arising from the adoption of deemed cost for completed freehold housing properties.

Restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing.

Association Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	2017 £000	2016 £000
TURNOVER	4	33,901	35,651
Operating expenditure	4	(25,566)	(26,032)
Other income		(208)	70
Gain on sale of property, plant and equipment	8	1,113	260
OPERATING SURPLUS	4	9,240	9,949
Interest receivable	9	40	2
Interest payable and financing costs	10	(2,175)	(2,438)
SURPLUS FOR THE YEAR		7,105	7,513
OTHER COMPREHENSIVE INCOME			
Actuarial gain on pension scheme	29(b)	67	1,716
TOTAL COMPREHENSIVE INCOME		7,172	9,229

All amounts relate to continuing activities.

Association Statement of Changes in Reserves

For the year ended 31 March 2017

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2015	68,543	49,608	-	118,151
Surplus for the year	7,513	-	-	7,513
Actuarial loss	1,716	-	-	1,716
Transfer from revaluation reserve	74	(74)	-	-
Balance at 31 March 2016	77,846	49,534	-	127,380
Surplus for the year	7,105	-	-	7,105
Actuarial gain	67	-	-	67
Transfer between reserves	(1,156)	(91)	1,247	-
Balance at 31 March 2017	83,862	49,443	1,247	134,552

All amounts relate to continuing activities.

Revenue reserve represents the accumulated surplus on the Statement of Comprehensive Income.

Revaluation reserve comprises the revaluation gain arising from the adoption of deemed cost for completed freehold housing properties.

Restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing.

Consolidated Statement of Financial Position

As at 31 March 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Housing properties	12	186,339	173,626
Investment properties	13	577	569
Other fixed assets – intangible assets	14	870	1,025
Other fixed assets – tangible assets	15	6,546	6,750
		194,332	181,970
CURRENT ASSETS			
Stock and work in progress	16	72	85
Trade and other debtors	17	4,452	7,075
Cash and cash equivalents	18	3,615	3,425
		8,139	10,585
CREDITORS: Amounts falling due within one year	19	(8,288)	(10,246)
NET CURRENT (LIABILITIES)/ASSETS		(149)	339
TOTAL ASSETS LESS CURRENT LIABILITIES		194,183	182,309
CREDITORS: Amounts falling due in more than one year	20	58,882	54,117
Pension liability	29(a)	1,277	822
		60,159	54,939
CAPITAL AND RESERVES			
Non-equity share capital	24	3	3
Revenue reserve		83,331	77,833
Revaluation reserve		49,443	49,534
Restricted reserve		1,247	-
		194,183	182,309

The financial statements were approved by the Board on 27 July 2017 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Association Statement of Financial Position

As at 31 March 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Housing properties	12	186,339	173,626
Investment properties	13	577	569
Other fixed assets – intangible assets	14	757	823
Other fixed assets – tangible assets	15	6,442	6,593
Investment in subsidiary undertaking	32	5	5
		194,120	181,616
CURRENT ASSETS			
Trade and other debtors	17	4,432	7,095
Cash and cash equivalents	18	3,120	3,007
		7,552	10,102
CREDITORS: Amounts falling due within one year	19	(7,865)	(9,899)
NET CURRENT (LIABILITIES)/ASSETS		(313)	203
TOTAL ASSETS LESS CURRENT LIABILITIES		193,807	181,819
CREDITORS: Amounts falling due in more than one year	20	58,882	54,117
Pension liability	29(b)	370	319
		59,252	54,436
CAPITAL AND RESERVES			
Non-equity share capital	24	3	3
Revenue reserve		83,862	77,846
Revaluation reserve		49,443	49,534
Restricted reserve		1,247	-
		193,807	181,819

The financial statements were approved by the Board on 27 July 2017 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017 £000	2016 £000
NET CASH GENERATED FROM OPERATING ACTIVITIES	26	14,206	14,742
CASH FLOW FROM INVESTING ACTIVITIES			
Improvement of properties and purchase of tangible fixed assets		(17,064)	(11,804)
Additions to investment properties		(216)	(167)
Grants received		700	1,952
Interest received		2	2
		(16,578)	(10,017)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		4,750	-
Interest paid		(2,188)	(2,300)
		2,562	(2,300)
NET CHANGE IN CASH AND CASH EQUIVALENTS		190	2,425
CASH AND CASH EQUIVALENTS AT 1 APRIL		3,425	1,000
CASH AND CASH EQUIVALENTS AT 31 MARCH		3,615	3,425

The cash flows of the Association are not materially different from those of the Group and therefore an individual Association Statement of Cash Flows has not been presented.

Notes to the Financial Statements

For the year ended 31 March 2017

1 Statutory Information

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

Disclosure of Phoenix's principal activities and nature of operations is set out in the Board report.

2 Compliance with Accounting Standards

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Statement of Recommended Practice for registered social housing providers (Housing SORP 2014). A summary of the more important accounting policies is set out below. There were no material departures from the standard and the Housing SORP 2014.

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 the purchase method. The presentation currency is sterling. The financial statements have been prepared on the historical cost basis as modified by the adoption of the valuation of completed freehold housing properties at 1 April 2014 as deemed cost.

(a) Transfer of housing stock

The transfer of properties from the London Borough of Lewisham was for nil consideration. The Board recognised this as an acquisition of assets and liabilities, after considering that a minority of staff transferred to Phoenix under TUPE rules, central administrative functions were required to be set up and no other assets were transferred.

(b) 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 to the income statement over its estimated life of 5 years starting from the date the subsidiary commenced trading.

(c) Property, plant and equipment

Housing properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period, as well as directly incremental overhead costs and staff time associated with new developments, improvements and component works.

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the expected useful life which has been set taking into account professional advice and the requirements of the Decent Homes Standard. The net book value of the component replaced is written off.

Freehold land is not depreciated. Depreciation is charged on a straight-line basis over the expected useful lives of the structure and major components to write off the cost at the following annual rates:

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

Additions to housing properties under construction as a result of development activity are disclosed as "additions" in the fixed asset note. Costs are capitalised from the point a commitment to develop a scheme is approved. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting.

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided when an asset is brought into use and is charged over the expected useful life of the fixed asset to write off the cost less estimated residual value over the following periods:

Office furniture and equipment	4 years
Computer equipment	4 years
Motor vehicles	4 years
Freehold offices	50 years

(d) Grants

Grants are recognised in the financial statements when the conditions for payment are met. Social Housing Grant (SHG) is repayable under certain circumstances, primarily following the sale of a property supported by SHG but this will normally be restricted to the net proceeds of the sale.

Government grants relating to assets are recognised in the Income Statement on a systematic basis over the expected useful life of the asset under the accrual model. Grants received for the development of housing properties are recognised in income over the expected useful life of the structure. Other grants are accounted for using the performance model and taken to income when the conditions for payment are met.

Grants relating to revenue are recognised as income on a systematic basis on the same basis as the expenditure is incurred.

(e) Investment properties

Investment properties are measured at cost on initial acquisition and subsequently at fair value at the reporting date, based on the advice of professional valuers or using projected cash flows discounted at a market rate of interest. Changes in fair value are recognised in the Income Statement. Investment properties are not depreciated.

(f) Intangible assets

Intangible assets are stated at historic cost less accumulated amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost of the asset over its expected useful life as follows.

Computer software	4 years

(g) Impairment

Fixed assets (mainly housing properties) are assessed at each period end for impairment. Where an indicator of impairment is identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount, being the higher of value in use and fair value less costs to sell. For housing properties held for their service potential, the value in use is determined by reference to depreciated replacement costs. Where the carrying amount is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. The resulting impairment loss is recognised as expenditure in the Income Statement.

(h) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less costs to complete.

(i) Interest

Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the loan. Interest on loans is capitalised in housing properties to the extent it relates to financing new development and accrues in respect of the period of development. Interest on loans financing regeneration works is expensed in the year that it is incurred.

(j) Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historical cost model. Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being included in the Income Statement.

Debtors are measured at transaction price, less any impairment, unless the arrangements constitute a financing transaction. Arrangements constituting a financing transaction, such as amounts due from leaseholders which are subject to a repayment agreement, are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Direct costs incurred in connection with the issue of a basic financial instrument are deducted from the proceeds of the issue, and amortised over the life of the instrument.

(k) Long term employee benefits

The Group participates in the London Borough of Lewisham local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

Phoenix also contributed to the Social Housing Pension Scheme - Career Average Revalued Earnings (SHPS CARE), a funded multi-employer defined benefit scheme. The scheme is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded. A liability is recognised in the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

The CARE scheme was closed to new members during 2014/15 and new staff enrolled into the SHPS defined contribution scheme. The charge to income in respect of the defined contribution scheme represents the employer contributions payable to this scheme for the accounting period.

(l) Short term employee benefits

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

(m) Service charges

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

(n) 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.

(o) Taxation

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

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the reporting date, except for gains on disposal of fixed assets, which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Deferred tax is measured at the tax rates expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted or substantially enacted at the Statement of Financial Position date. Any assets and liabilities recognised have not been discounted.

(p) Value Added Tax

Phoenix charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

(q) Investments

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

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

(s) Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and other income, including revenue grants and amortisation of deferred capital grants. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

(t) Restricted reserve

The restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing. Transfers to the reserve are based on the calculation of the share of the RTB sale proceeds previously payable to the Council as set out in the Transfer Agreement. Transfers to the reserve are made when the RTB sale is completed. Transfers from the reserve are based on the funding required, net of any attributable grant, for a social housing development or purchase. Transfers are made at the point a commitment to the social housing development or purchase becomes unconditional.

(u) Going concern

After reviewing the budget for 2017/18 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.

3 Significant management judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with FRS102 requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are considered to be reasonable in the circumstances.

Judgements:
The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

(a) Deemed cost

The Association has taken advantage of the transitional relief set out in FRS102 and adopted a valuation of its completed freehold housing properties as at 1 April 2014 as deemed cost. The valuation is based on the revaluation of the housing properties at 31 March 2014 undertaken by the Association's valuer, Jones Lang LaSalle, using the existing use valuation for social housing method (EUV-SH).

In determining the adjustments to reserves as a result of the adoption of deemed cost, the Association has accounted for all related grant at 1 April 2014 under the performance model and therefore these amounts are included in the revenue reserve.

The SORP refers to "movements in the revaluation of housing properties should be allocated to the land and structure pro rata to their historical depreciated cost net of government grant." In Phoenix's case no cost was allocated to land for the transfer stock, so following the SORP would result in all the uplift in value being allocated to structure, which the Board does not consider appropriate or reflective of the situation that land values have increased since transfer. The allocation of deemed cost to land, structure and components has been based on the advice of the Association's valuers, as follows:

	Proportion of value	£000
Land	45.0%	69,300
Structure and roofs (see below for allocation)	27.5%	42,350
Other major components (existing net book value)	27.5%	42,350
Total (EUV-SH at 31 March 2014)	100.0%	154,000

The proportion of the valuation attributed to roofs and structure has been allocated between the two categories pro rata based on the previously stated net book value of these elements. The value attributable to structure has then been allocated to individual properties equally at 31 March 2014. The resulting reduction in value for roofs of £2.4 million has been allocated pro rata to the previously stated net book value.

<u>Estimation uncertainty:</u>
The following are the significant management estimates and assumptions made which have the risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

(b) Investment properties
The fair value of the Fellowship Inn at 31 March 2017 is based on an independent professional valuation. The fair value of other investment properties has been estimated by the Board using the projected cash flows from the property discounted at a market rate of interest of 8% (2016: 8%). Judgements have been made in determining the appropriate discount rates used in the valuation.

(c) Agreements to pay
Judgements have been made in determining the appropriate discount rates used in the assessment of the net present value adjustment for repayment agreements for leaseholder debtors. The net present value adjustment at 31 March 2017 was £86,000 (2016: £122,000).

(d) Pension liabilities
In determining the Group's share of the Local Authority defined benefit pension scheme assets and liabilities, the scheme actuary has used estimates of life expectancy, salary growth, inflation and the discount rate for corporate bonds. The assumptions used are set out in note 29 and reflect historical experience and current trends.

(e) Impairment of debtors
The assessment of the impairment of rental debtors for bad debts is based on past experience and the profile of debtors. The provision for non-recovery of major works service charge arrears has been calculated based on an assessment of the risk of successful challenge through a first tier tribunal and the potential non-recovery of costs.

4 Turnover, Operating Costs and Operating Surplus

(a) Group particulars of turnover, operating expenditure and operating surplus — **2017**

	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000
Social housing lettings (note 4b)	31,753	(22,703)	-	9,050
Development costs not capitalised	-	(549)	-	(549)
Other social housing activities	375	(446)	-	(71)
	32,128	(23,698)	-	8,430
Activities other than social housing activities				
Lettings:				
Leaseholders	1,174	(1,448)	-	(274)
Garages	42	-	-	42
Other income	79	(90)	-	(11)
	1,295	(1,538)	-	(243)
Loss on revaluation of investment property	-	-	(208)	(208)
Gain on disposal of property	-	-	1,113	1,113
	33,423	(25,236)	905	9,092

Group particulars of turnover, operating expenditure and operating surplus — **2016**

	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000
Social housing lettings (note 4b)	32,021	(22,304)	-	9,717
Development costs not capitalised	-	(343)	-	(343)
Other	575	(469)	-	106
	32,596	(23,116)	-	9,480
Activities other than social housing activities				
Lettings:				
Leaseholders	2,375	(2,484)	-	(109)
Garages	45	-	-	45
Other income	154	(116)	-	38
	2,574	(2,600)	-	(26)
Gain on revaluation of investment property	-	-	70	70
Gain on disposal of property	-	-	260	260
	35,170	(25,716)	330	9,784

4 Turnover, Operating Costs and Operating Surplus (continued)

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

	2017			
	Turnover	**Operating Costs**	**Other Income**	**Operating Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	31,745	(22,549)	-	9,196
Development costs not capitalised	-	(549)	-	(549)
Other social housing activities	861	(930)	-	(69)
	32,606	(24,028)	-	8,578
Activities other than social housing activities				
Lettings:				
Leaseholders	1,174	(1,448)	-	(274)
Garages	42	-	-	42
Other income	79	(90)	-	(11)
	1,295	(1,538)	-	(243)
Loss on revaluation of investment property	-	-	(208)	(208)
Gain on disposal of property	-	-	1,113	1,113
	33,901	(25,566)	905	9,240

Association particulars of turnover, operating expenditure and operating surplus

	2016			
	Turnover	**Operating Costs**	**Other Income**	**Operating Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	32,021	(22,139)	-	9,882
Development costs not capitalised	-	(343)	-	(343)
Other social housing activities	1,056	(950)	-	106
	33,077	(23,432)	-	9,645
Activities other than social housing activities				
Lettings:				
Leaseholders	2,375	(2,484)	-	(109)
Garages	45	-	-	45
Other income	154	(116)	-	38
	2,574	(2,600)	-	(26)
Gain on revaluation of investment property	-	-	70	70
Gain on disposal of property	-	-	260	260
	35,651	(26,032)	330	9,949

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Group particulars of turnover and operating expenditure from social housing lettings	**General Needs 2017 £000**	**General Needs 2016 £000**
Income		
Rent receivable net of identifiable service charges	28,895	29,324
Service charge income	2,848	2,686
Amortised government grant	10	11
Turnover from social housing lettings	**31,753**	**32,021**
Operating expenditure		
Management	4,894	4,992
Service charge costs	3,930	3,932
Routine maintenance	5,398	5,331
Planned maintenance	2,318	2,264
Major repairs expenditure	1,745	1,523
Bad debts	196	127
Depreciation of housing properties	3,145	3,085
Impairment of housing properties	-	221
Other costs	1,077	829
Operating expenditure on social housing lettings	**22,703**	**22,304**
Operating surplus on social housing lettings	**9,050**	**9,717**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**125**	**118**

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Association particulars of turnover and operating expenditure from social housing lettings	**General Needs 2017 £000**	**General Needs 2016 £000**
Income		
Rent receivable net of identifiable service charges	28,887	29,324
Service charge income	2,848	2,686
Amortised government grant	10	11
Turnover from social housing lettings	**31,745**	**32,021**
Operating expenditure		
Management	4,894	4,992
Service charge costs	3,930	3,932
Routine maintenance	5,244	5,166
Planned maintenance	2,318	2,264
Major repairs expenditure	1,745	1,523
Bad debts	196	127
Depreciation of housing properties	3,145	3,085
Impairment of housing properties	-	221
Other costs	1,077	829
Operating expenditure on social housing lettings	**22,549**	**22,139**
Operating surplus on social housing lettings	**9,196**	**9,882**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**125**	**118**

5 Surplus for the Year

Group	**2017 £000**	**2016 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,145	3,085
Impairment of housing properties	-	221
Depreciation of other fixed assets	412	420
Amortisation of intangible fixed assets	463	449
Amortisation of government grant	(10)	(11)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditors	34	45
- for other services	13	10
Operating lease rentals	211	175

Association	**2017 £000**	**2016 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,145	3,085
Impairment of housing properties	-	221
Depreciation of other fixed assets	360	367
Amortisation of intangible fixed assets	374	360
Amortisation of government grant	(10)	(11)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditors	31	43
- for other services	11	10
Operating lease rentals	211	175

6 Directors and Senior Staff Emoluments and Expenses

For the purpose of this note, the directors are defined as the members of the Board and the Executive Officers. None of the Board members received any remuneration.

	2017 £000	2016 £000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	713	744
Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind)	131	130
Expenses paid during the year to Board Members	-	-

The Chief Executive is an ordinary member of the Social Housing Pension Scheme (SHPS) and no enhanced or special terms apply. Pension contributions paid to the pension fund for the Chief Executive were £7,852 in the year (2016: £14,471). There are no payments made to separately administered pension schemes.

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

	2017 Number	2016 Number
£60,001 to £70,000	8	8
£70,001 to £80,000	2	2
£80,001 to £90,000	1	1
£90,001 to £100,000	1	2
£100,001 to £110,000	-	-
£110,001 to £120,000	1	1
£120,001 to £130,000	-	-
£130,001 to £140,000	1	1

The aggregate amount of compensation payable to directors in respect of loss of office was £nil (2016: £nil).

7 Employee Information

Group

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2017:

	2017 Number	2016 Number
Office staff	152	149
Caretakers	25	20
Maintenance	41	41
	218	210

	2017 £000	2016 £000
Staff costs (for the above persons)		
Wages and salaries	7,943	7,088
Social security costs	799	708
Pension costs	931	1,081
	9,673	8,877

Association

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2017:

	2017 Number	2016 Number
Office staff	141	138
Caretakers	25	20
	166	158

	2017 £000	2016 £000
Staff costs (for the above persons)		
Wages and salaries	6,130	5,822
Social security costs	618	583
Pension costs	715	883
	7,463	7,288

8 Gain on Sale of Property, Plant and Equipment

Group and Association	**2017 £000**	**2016 £000**
Disposal proceeds	1,590	3,246
Less: cost of sales	(477)	(784)
Less: amount repayable to the London Borough of Lewisham under the Right to Buy sharing agreement	-	(1,661)
Transfer to disposal proceeds fund	-	(541)
	1,113	260

9 Interest Receivable

Group and Association	**2017 £000**	**2016 £000**
Unwinding of discount on repayment agreements	38	-
From bank deposits	2	2
	40	2

10 Interest Payable and Financing Costs

Group	**2017 £000**	**2016 £000**
On housing loans	2,256	2,317
Unwinding of discounts on provisions	2	33
Amortisation of loan arrangement fees	33	33
Net interest on defined benefit liability	35	96
Less: capitalised interest	(129)	(8)
	2,197	2,471

Association	**2017 £000**	**2016 £000**
On housing loans	2,256	2,317
Unwinding of discounts on provisions	2	33
Amortisation of loan arrangement fees	33	33
Net interest on defined benefit liability	13	63
Less: capitalised interest	(129)	(8)
	2,175	2,438

11 Taxation

Phoenix is a charitable housing association and is not liable to Corporation Tax on its charitable activities. Its subsidiary undertaking, Phoenix Agency Services Limited, is subject to Corporation Tax. A reconciliation between Corporation Tax at the standard rate on the surplus on ordinary activities and the actual tax charge has not been provided due to the charitable status of Phoenix. The tax recognised in the income and expenditure account represents a charge for tax of £33,000 (2015/16: credit £21,000) for Phoenix Agency Services.

12 Tangible Fixed Assets – Housing Properties

	Completed held for letting	Under construction	Total
Group and Association	**£000**	**£000**	**£000**
Cost			
At 1 April 2016	176,079	3,821	179,900
Additions	6,783	9,478	16,261
Disposals	(468)	-	(468)
At 31 March 2017	**182,394**	**13,299**	**195,693**
Depreciation			
At 1 April 2016	6,053	-	6,053
Charge for period	3,145	-	3,145
Released on disposal	(65)	-	(65)
At 31 March 2017	**9,133**		**9,133**
Impairment			
At 1 April 2016	221	-	221
Charge for period	-	-	-
At 31 March 2017	221	-	221
Net book value			
At 31 March 2017	**173,040**	**13,299**	**186,339**
At 31 March 2016	169,805	3,821	173,626

The vast majority of housing properties are held freehold. Less than 1% of properties are leasehold. The Association has adopted a valuation of its completed freehold housing properties as at 1 April 2014 as deemed cost. Included in the balance of housing properties under construction is £129,000 of capitalised interest (2016: £8,000), based on a capitalisation rate of 5% which is the weighted average rate applicable to the Group's borrowings during the year.

The total accumulated grant received to 31 March 2017 was £49.2 million (2016: £48.5 million).

13 Investment Properties

Group and Association	**£000**
At 1 April 2016	569
Additions	216
Revaluation	(208)
At 31 March 2017	577

Investment properties, which are all freehold, comprise privately let garages and a commercial lease of part of the Fellowship Inn, and were measured at fair value at 31 March 2017. The fair value of the Fellowship Inn was based on a valuation undertaken by GVA, an independent valuer and member of RICS. The fair value of the garages has been estimated by the Board using the projected cash flows from the property discounted at a market rate of interest of 7% (2016: 8%).

14 Other Fixed Assets – Intangible Assets

Group	**Computer software**	**Goodwill**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 April 2016	1,693	447	2,140
Additions	308	-	308
Reclassifications	(67)	-	(67)
Disposals	(21)	-	(21)
At 31 March 2017	**1,913**	**447**	**2,360**
Amortisation			
At 1 April 2016	870	245	1,115
Charge for the period	374	89	463
Reclassifications	(67)	-	(67)
Disposals	(21)	-	(21)
At 31 March 2017	**1,156**	**334**	**1,490**
Net book value			
At 31 March 2017	**757**	**113**	**870**
At 31 March 2016	823	202	1,025

14 Other Fixed Assets – Intangible Assets (continued)

Association	**Computer software £000**
Cost	
At 1 April 2016	1,693
Additions	308
Reclassifications	(67)
Disposals	(21)
At 31 March 2017	**1,913**
Amortisation	
At 1 April 2016	870
Charge for the period	374
Reclassifications	(67)
Disposals	(21)
At 31 March 2017	**1,156**
Net book value	
At 31 March 2017	**757**
At 31 March 2016	823

15 Other Fixed Assets – Tangible Assets

Group

	Freehold offices* £000	Community buildings* £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost						
At 1 April 2016	6,314	134	24	850	360	7,682
Additions	24	86	2	12	85	209
Reclassifications	-	-	-	67	-	67
Disposals	-	-	(2)	-	-	(2)
At 31 March 2017	**6,338**	**220**	**24**	**929**	**445**	**7,956**
Depreciation						
At 1 April 2016	289	17	24	363	239	932
Charge for the period	127	16	-	204	66	412
Reclassifications	-	-	-	67	-	67
Disposals	-	-	(2)	-	-	(2)
At 31 March 2017	**416**	**33**	**22**	**634**	**305**	**1,410**
Net book value						
At 31 March 2017	**5,922**	**187**	**2**	**295**	**140**	**6,546**
At 31 March 2016	6,025	117	-	487	121	6,750

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

15 Other Fixed Assets – Tangible Assets (continued)

Association

	Freehold offices* £000	Community buildings * £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost						
At 1 April 2016	6,314	134	24	639	360	7,471
Additions	24	86	2	12	85	209
Reclassifications	-	-	-	67	-	67
Disposals	-	-	(2)	-	-	(2)
At 31 March 2017	**6,338**	**220**	**24**	**718**	**445**	**7,745**
Depreciation						
At 1 April 2016	289	17	24	309	239	878
Charge for the period	127	16	-	151	66	360
Reclassifications	-	-	-	67	-	67
Disposals	-	-	(2)	-	-	(2)
At 31 March 2017	**416**	**33**	**22**	**527**	**305**	**1,303**
Net book value						
At 31 March 2017	**5,922**	**187**	**2**	**191**	**140**	**6,442**
At 31 March 2016	6,025	117	-	330	121	6,593

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

16 Stock and work in progress

Group	**2017**	**2016**
	£'000	**£'000**
Stock	72	50
Work in progress	-	35
	72	85

There was no stock and work in progress held by the Association.

17 Trade and Other Debtors

Group	**2017**	**2016**
	£000	**£000**
Due in more than one year		
Amount owed by leaseholders (gross balance)	492	894
Less net present value adjustments for repayment agreements	(86)	(155)
	406	739
Due within one year		
Arrears of rent and service charges	2,045	2,010
Less provision for bad debts	(1,265)	(1,304)
	780	706
Amount owed by leaseholders	1,210	2,477
Other debtors	132	187
Input VAT reclaimable	452	727
Corporation tax	10	6
Deferred tax	-	37
Cash in transit	215	307
Prepayments and accrued income	1,247	1,889
	4,046	6,336
Total debtors	**4,452**	**7,075**

17 Trade and Other Debtors (continued)

	2017	2016
Association	**£000**	**£000**
Due in more than one year		
Amount owed by leaseholders (gross balance)	492	894
Less net present value adjustments for repayment agreements	(86)	(155)
	406	739
Due within one year		
Arrears of rent and service charges	2,045	2,010
Less provision for bad debts	(1,265)	(1,304)
	780	706
Amount owed by leaseholders	1,210	2,477
Amount owed by subsidiary undertaking	68	43
Other debtors	115	187
Input VAT reclaimable	452	727
Cash in transit	215	307
Prepayments and accrued income	1,186	1,909
	4,026	6,356
Total debtors	**4,432**	**7,095**

18 Cash and Cash Equivalents

There is a charge in favour of the lender on cash at bank and in hand which amounted to £3,120,000 at 31 March 2017 (2016: £3,007,000).

19 Creditors: Amounts falling due within one year

Group	**2017**	**2016**
	£000	**£000**
Rents prepaid	1,143	1,058
Trade creditors	1,318	2,168
Other taxes and social security costs	237	225
Other payroll deductions	3	3
Right to buy sale clawback and VAT payable to Lewisham Council	325	2,045
Other creditors and accruals	2,545	2,288
Deferred income	75	517
Deferred income – unamortised government grant	2,642	1,942
	8,288	**10,246**

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

Association	**2017**	**2016**
	£000	**£000**
Rents prepaid	1,143	1,058
Trade creditors	1,068	1,986
Amount due to subsidiary undertaking	-	29
Other taxes and social security costs	175	162
Other payroll deductions	3	3
Right to buy sale clawback and VAT payable to Lewisham Council	325	2,039
Other creditors and accruals	2,434	2,163
Deferred income	75	517
Deferred income – unamortised government grant (see note 22)	2,642	1,942
	7,865	**9,899**

20 Creditors: Amounts falling due after more than one year

Group and Association	**2017**	**2016**
	£000	**£000**
Improvement works	157	159
Loans	57,583	52,800
Accrual for pension scheme deficit funding agreement	138	144
Disposal Proceeds Fund	741	741
Deferred income – unamortised capital grant (see note 22)	263	273
	58,882	54,117

Group and Association	**2017**	**2016**
	£000	**£000**
Loans repayable other than by instalments as follows:		
In five years or more	58,250	53,500
Less transaction costs	(667)	(700)
	57,583	52,800

In addition to the above debt, at 31 March 2017 Phoenix had undrawn loan facilities of £11.75m (2016: £16.5m). 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

21 Financial instruments

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

Group	**2017**	**2016**
	£000	**£000**
Financial assets		
Measured at amortised cost		
Repayment agreements	406	739
Measured at undiscounted amount receivable		
Rent arrears and other receivables	4,022	6,336
Cash and cash equivalents	3,671	3,425
	8,099	10,500

Group	**2017**	**2016**
	£000	**£000**
Financial liabilities		
Measured at amortised cost		
Loan	57,583	52,800
Pensions deficit funding agreement	138	144
Measured at undiscounted amount payable		
Trades and other creditors	9,492	11,419
	67,213	64,363

Association	**2017**	**2016**
	£000	**£000**
Financial assets		
Measured at amortised cost		
Repayment agreements	406	739
Measured at undiscounted amount receivable		
Amounts due from subsidiaries	73	43
Rent arrears and other receivables	3,953	6,313
Cash and cash equivalents	3,120	3,007
	7,552	10,102

Association	**2017**	**2016**
	£000	**£000**
Financial liabilities		
Measured at amortised cost		
Pensions deficit funding agreement	138	144
Loan	57,583	52,800
Measured at undiscounted amount payable		
Amounts owed to subsidiaries	5	29
Trades and other creditors	9,019	11,043
	66,745	64,016

22 Deferred Income – Capital Grant

Group and Association	2017 £000	2016 £000
At 1 April	2,215	803
Grant received during the year	700	1,423
Released to income in the year	(10)	(11)
At 31 March	2,905	2,215
Amount due within one year	2,642	1,942

23 Disposal Proceeds Fund

Group and Association	2017 £000	2016 £000
At 1 April	741	200
Inputs to fund:		
Funds recycled	-	541
Interest accrued	-	-
Use/allocation of funds:		
New build	-	-
Repayment to Greater London Authority	-	-
At 31 March	741	741
All amounts relate to Greater London Authority		
Amounts 3 years old or older where repayment may be required	-	-

24 Share Capital – Non Equity

	2017 £	2016 £
£1 shares		
At 1 April	3,099	2,605
Issued during the period	239	494
At 31 March	3,338	3,099

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.

25 Capital Commitments

Group and Association	2017 £000	2016 £000
Capital expenditure that has been contracted for	11,409	17,634
Capital expenditure that has been authorised by the Board but has not yet been contracted for	22,978	35,100
	34,387	52,734
Phoenix expects to finance the above expenditure by:		
Grant funding	9,043	10,406
Loan facilities	6,880	12,905
Operating cash surpluses	18,464	29,423
	34,387	52,734

26 Cash Flow from Operating Activities

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Surplus for the year	9,092	9,784
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,557	3,505
Impairment of tangible fixed assets	-	221
Amortisation of intangible assets	463	449
Decrease/(increase) in stock	13	(85)
Decrease in trade and other debtors	2,090	348
Decrease in trade and other creditors	(129)	(835)
Decrease/(increase) in fair value of investment properties	208	(63)
Pension costs less contributions payable	180	371
Amortisation of grant	(10)	(11)
Share of Right to Buy sales payable to Council	(1,661)	142
Cost of sales	403	659
Transfer to Disposal Proceeds Fund	-	541
Net cash flow from operating activities	14,206	14,742

27 Operating Leases

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

Amounts payable as lessee	**2017**		**2016**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	-	185	-	175
In one to five years	-	184	-	275
Later than five years	-	-	-	-
	-	369	-	450

Amounts receivable as Lessor	**2017**		**2016**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	-	100	-	100
In one to five years	-	217	-	88
Later than five years	-	325	-	-
	-	642	-	188

28 Units Owned or Under Management

Group and Association	**2017 Number**	**2016 Number**
Units for rent at 1 April		
General needs housing accommodation	5,369	5,388
Less freehold sales	(5)	(13)
Less leasehold sales	(7)	(6)
Units for rent at 31 March	5,357	5,369
All general needs properties are social housing		
Leaseholders	856	849
Unit for market rent at 31 March	1	1

28 Units Owned or Under Management (continued)

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 92 Phoenix tenants (2016: 103) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £5.64 (2016: £5.50). 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.

29 Pensions

(a) London Borough of Lewisham Pension Scheme - Group

The Group participates in the London Borough of Lewisham pension scheme, a defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on salary. No other post-retirement benefits are provided. The scheme is funded.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by actuaries Hymans Robertson. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main financial assumptions underlying the valuation at 31 March 2017 were as follows:

	2017	**2016**
	% pa	**% pa**
Pension increases	2.4	2.2
Salary increases	3.1	3.7
Discount rate	2.6	3.5

Mortality assumptions

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

	Males	**Females**
Current Pensioners	22.2 years	24.6 years
Future Pensioners	24.0 years	26.5 years

Historic Mortality

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

	Prospective Pensioners	**Pensioners**
31 March 2016	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%

29 Pensions (continued)

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

Amounts recognised in the Statement of Comprehensive Income	**2017 £000**	**2016 £000**
Current service cost	503	614
Net interest cost	35	96
Total	538	710
Recognised in other comprehensive income	184	(2,251)
Deferred tax charge on actuarial loss/(gain)	64	94
	248	(2,157)
Total costs/(gain) relating to defined benefit scheme	**786**	**(1,447)**

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

	2017 £000	**2016 £000**
Present value of defined benefit obligations	(29,008)	(23,930)
Fair value of scheme assets	27,731	23,044
Deficit	(1,277)	(886)
Deferred tax asset	-	64
Net pension scheme liability	**(1,277)**	**(822)**

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

Reconciliation of defined benefit obligation	**2017 £000**	**2016 £000**
Opening Defined Benefit Obligation	**23,930**	**25,598**
Current service cost	503	614
Interest cost	845	834
Contribution by members	113	115
Actuarial (gains) and losses	4,058	(2,967)
Past service cost	-	-
Losses on curtailment and settlements	-	-
Benefits paid	(441)	(264)
Closing Defined Benefit Obligation	**29,008**	**23,930**

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

Reconciliation of fair value of employer assets	**2017 £000**	**2016 £000**
Opening Fair Value of Employer Assets	**23,044**	**22,825**
Return on plan assets	810	738
Contributions by members	113	115
Contributions by the employer	331	346
Actuarial gains and (losses)	3,874	(716)
Benefits paid	(441)	(264)
Closing Fair Value of Employer Assets	**27,731**	**23,044**

29 Pensions (continued)

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

Fair value of employer assets

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

	2017 Assets £000	2016 Assets £000
Equities	19,412	15,439
Bonds	5,269	4,378
Property	2,218	2,074
Cash	832	1,153
Total	**27,731**	**23,044**

(b) London Borough of Lewisham Pension Scheme – Association

The Association participates in the London Borough of Lewisham pension scheme, a defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on salary. No other post-retirement benefits are provided. The scheme is funded.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by actuaries Hymans Robertson. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main financial and mortality assumptions underlying the valuation at 31 March 2017 are as for the Group (see note 29a).

Amounts recognised in the Statement of Comprehensive Income	**2017** £000	**2016** £000
Current service cost	308	389
Net interest cost	13	63
Total	321	452
Recognised in other comprehensive income	(67)	(1,716)
Total costs/(gain) relating to defined benefit scheme	**254**	**(1,264)**

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

	2017 £000	**2016** £000
Present value of defined benefit obligations	(22,521)	(19,279)
Fair value of scheme assets	22,151	18,960
Net pension scheme liability	**(370)**	**(319)**

29 Pensions (continued)

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

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

Reconciliation of defined benefit obligation	**2017**	**2016**
	£000	**£000**
Opening Defined Benefit Obligation	**19,279**	**20,673**
Current service cost	308	389
Interest cost	674	668
Contribution by members	71	78
Actuarial (gains) and losses	2,607	(2,303)
Past service cost	-	-
Losses on curtailment and settlements	-	-
Benefits paid	(418)	(226)
Closing Defined Benefit Obligation	**22,521**	**19,279**

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

Reconciliation of fair value of employer assets	**2017**	**2016**
	£000	**£000**
Opening Fair Value of Employer Assets	**18,960**	**18,855**
Return on plan assets	661	605
Contributions by members	71	78
Contributions by the employer	203	235
Actuarial gains and (losses)	2,674	(587)
Benefits paid	(418)	(226)
Closing Fair Value of Employer Assets	**22,151**	**18,960**

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.

	2017 Assets £000	**2016 Assets £000**
Equities	15,506	12,703
Bonds	4,209	3,603
Property	1,772	1,706
Cash	665	948
Total	**22,151**	**18,960**

The contribution rate of Phoenix for the year ended 31 March 2017 was 20.4% (2016: 20.4%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2016: 5.5% to 7.5%). Employer’s contributions for the year to 31 March 2018 are estimated to be £183,000.

29 Pensions (continued)

(c) Social Housing Pension Scheme

The Association participates in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This actuarial valuation showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision	**31 March 2017**	**31 March 2016**
	£000	**£000**
Present value of provision	138	144

Reconciliation of opening and closing provisions	**31 March 2017**	**31 March 2016**
	£000	**£000**
Provision at 1 April	144	46
Unwinding of the discount factor (interest expense)	2	1
Deficit contribution paid	(13)	(4)
Remeasurements - impact of any change in assumptions	5	(1)
Remeasurements - amendments to the contribution schedule	-	102
Provision at 31 March	138	144

29 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

Income and expenditure impact	**31 March 2017** **£000**	**31 March 2016** **£000**
Interest expense	2	1
Remeasurements - impact of any change in assumptions	5	(1)
Remeasurements - amendments to the contribution schedule	-	102

Assumptions	**31 March 2017**	**31 March 2016**
Rate of discount	1.33%	2.06%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

30 Related Party Transactions

The ultimate controlling party of the Group is Phoenix Community Housing. Phoenix considers the key management personnel to be the Board and Executive Team. The only transactions between Phoenix and the key management personnel are remuneration set out in note 6 and the transactions noted below.

Tenants and Leaseholders

Phoenix is a resident-led housing association and at 31 March 2017, six of the Association's Board members were Phoenix tenants. Their tenancies have been granted on the same terms as for all other tenants of the Association and housing management procedures, including those relating to the management of arrears, have been applied consistently.

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

	2017 **£**	**2016** **£**
Rent and service charges charged	36,357	49,590
Credit balances at the end of the period	(1,089)	(3,180)
Doubtful debt provision	Nil	Nil

No other transactions took place with the tenant Board members.

30 Related Party Transactions (continued)

Related parties employed by Phoenix

Phoenix employs as a member of staff under normal contract terms an employee who is a relative of a member of the Executive Team. The salary paid to that member of staff (all of which was fully paid at the year end) was £38,308 (2016: £28,734 – recruited during the year).

Local authority

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

Payments to the Local Authority were £2,338,000, including the Local Authority's share of the VAT shelter and Preserved Right to Buy (£2,258,000). The total amount due to the Local Authority at 31 March 2017 was £372,000 (2016: £2,039,000).

Subsidiary undertaking

Phoenix Community Housing traded with Phoenix Agency Services, a wholly owned subsidiary of Phoenix which provides the repairs and maintenance for Phoenix properties. Phoenix also provides corporate services to its subsidiary. The transactions between Phoenix and Phoenix Agency Services (which is not registered with the HCA) were eliminated on consolidation.

There are no other related party transactions requiring disclosure.

31 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 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.

32 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 the repairs and maintenance service for Phoenix Community Housing properties. The results for the year and net assets at 31 March 2017 were:

	2017 £000	2016 £000
Net (liabilities) /assets at 31 March	(525)	11
Loss after tax for the period ended 31 March	(221)	(105)