Board Report and Financial Statements

Year ended
31 March 2016

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Board Members, Executive and Advisors

Board members	Pat Fordham, Chair, MBE Anne McGurk, Vice Chair Pat Crawford Councillor Alan Hall Andrew Harmer Stephen Howlett Peter Lewis Phil Newsam Jamie Carswell (appointed September 2015) Michael Boniface (appointed January 2016) Councillor Jonathan Slater (appointed March 2016) Carmen Simpson (appointed May 2016) The following Board members also served during the period: Margaret McCarthy (to September 2015) Peace Ayiku-Nartey (to November 2015) Councillor Janet Daby (to March 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
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

Solicitors

Trowers & Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Status

Phoenix Community Housing Association (Bellingham and Downham) Limited has charitable status. It is a registered society (registration number IP30057R) and is registered with the Homes and Communities Agency (registration number L4505).

Strategic Report

The Board presents their strategic report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 March 2016.

Objectives and strategy for achieving those objectives

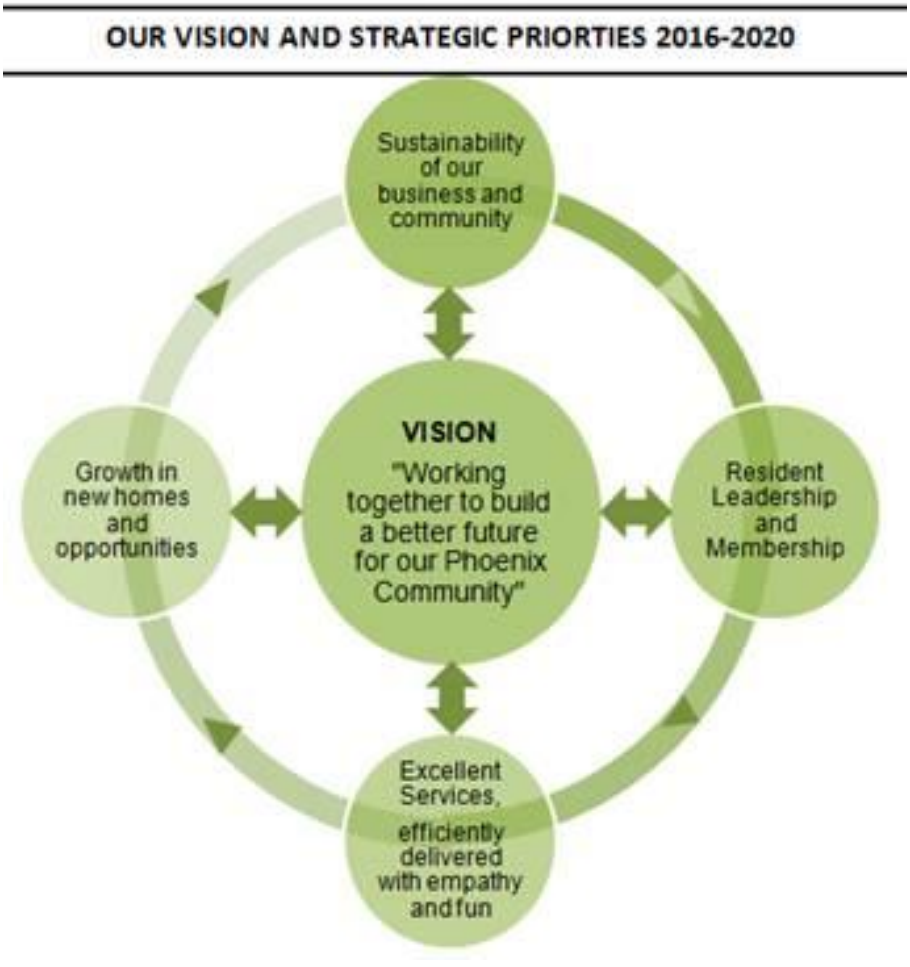
Our vision is "to work together to build a better future for our Phoenix community":

- 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 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.
   - Deliver our Community Empowerment Strategy, involving more residents and acting on feedback and recommendations made.
   - 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.
   - Scope out a customer relationship module 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.
   - 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
   - Refresh and 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.
   - Deliver 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 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 5,369 tenanted properties and 849 leasehold properties in the Bellingham, Downham and Whitefoot areas of Lewisham in South East London. Phoenix has invested almost £150 million in the housing stock funded by £46 million of 'gap' funding from the Department for Communities and Local Government and a £70 million loan facility with Barclays Bank, 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.

Phoenix works in partnership with the Council and other agencies to improve the area and quality of life of people living and working in the Phoenix area. The Green Man head office and community facility opened in November 2013 and has successfully delivered the aims of the building to have a positive impact on the community, with the community hub providing a range of activities: a community café, a new branch office for the Lewisham Plus Credit Union and a training kitchen provided by Lewisham Council. There were over 25,000 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 in the last two years 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.

A significant investment in staff development has been made during the year through a bespoke management development programme and intensive customer experience training, as part of a wider cultural change programme - '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 2015/16 were substantial including completion of another year of the major works programme, the start on site of our first development of new homes, securing a partner for The Fellowship Inn, a successful first year of operation of our new Phoenix Repairs Service, strong performance on income collection and letting properties, and delivering our 'Aiming Higher' programme to improve our customer focus and approach to how we work.

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.

Key performance indicators are shown below:

Performance indicator	2015/16	2014/15	2013/14	2012/13	2011/12	Comment
Tenant satisfaction with Phoenix as a landlord	82%	n/a *	n/a *	84%	n/a *	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)	99.6%	99.9%	100.4%	99.5%	100.1%	Performance slightly below 2014/15 but was above target of 99.5%. The Income Team continues to work well with the Council's housing benefit department to respond to the Government's welfare reforms. Residents also continue to receive support in managing the Welfare Reforms from financial inclusion activities delivered by Phoenix.
Leaseholder service charges - amounts collected in year	£3.3m	£3.1m	£1.6m	£1.7m	£0.7m	Performance better than target reflecting focus on income collection combined with support for leaseholders.
Leaseholder major works service charge arrears	£3.7m	£4.7m	£5.8m	£5.3m	£2.0m	Performance better than target reflecting focus on income collection combined with support for leaseholders.

Performance indicator	2015/16	2014/15	2013/14	2012/13	2011/12	Comment
Total number of voids at 31 March	14	25	30	24	41	Reduction in number of void properties at end of year; average during the year has been 16 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)	23	27	28	25	27	Performance in 2015/16 better than target of 25 days.
Responsive repairs completed on time	99%	97%	97%	98%	98%	Performance on repairs completed on time has been maintained at high levels throughout the year, despite this being the first year of operation of the new Phoenix Repairs Service.
Responsive repairs completed right first time	90%	88%	89%	89%	89%	
Gas safety checks completed on time	100%	100%	100%	100%	100%	Continued 100% of gas safety checks completed within time.
Percentage of homes meeting Decent Homes Standard	100%	100%	100%	100%	85%	One property not meeting the decent homes standard was sold in April 2015.
Complaints responded to on time	93%	42%	63%	95%	96%	New complaints policy and processes introduced in 2014 focusing on resolution of complaints is now reflected in improved performance.
Complaints escalated above stage 1	3%	8%	8%	8%	14%	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 2015) compared to similar associations, partly reflecting historic arrears at transfer. Former tenant arrears have reduced to 0.96% of rent receivable compared to 1.79% in 2014/15 following decisions by the Board to write off £366,000 of the arrears owed by former tenants which are not collectable. The reduction of current and former tenant arrears is a continued area of focus while also providing support to vulnerable residents (for example, benefit advice and debt counselling through Citizens Advice).

Rents were increased in April 2015 by the Consumer Prices Index plus 1% in accordance with the Rent Standard.

Following an options appraisal during 2014/15, the Board decided to bring the management of the repairs service in-house to the subsidiary company, Phoenix Agency Services, from April 2015. New information technology systems to support the repairs operation were successfully implemented and contracts for materials, sub-contractors, vans and equipment procured to enable the new service to go live as planned on 1 April 2015. The subsidiary completed a successful first year of operation for the new repairs service.

The programme of major works and improvements to the housing stock continued during the year with total expenditure of £8.5 million to 31 March 2016 principally on external works to properties. This was below the budget for the year, due to works to some blocks being carried forward to 2016/17 to allow the scope of the works to be reviewed, and environmental works for a number of estates also being held to allow their scale to be reviewed following the announcement of the reduction in future rents as part of the new Government's July 2015 budget.

The number of homes managed by Phoenix reduced during the year due to the sale of 19 properties through the Preserved Right to Buy and Right to Acquire. In response, Phoenix is starting to develop new homes and secured grant funding through the Mayor of London's Covenant – Building the Pipeline fund to develop an 'Extra Care' housing scheme comprising 60 flats and communal facilities adjacent to an existing older persons scheme at Hazelhurst Court. The scheme started on site in September 2015 and is due to complete in June 2017. Phoenix also received planning permission for the development of 22 flats for affordable rent on amenity land adjacent to an existing block at Forster House.

The Board previously approved the sale of one long term void property where the estimated sales value significantly exceeded its value as social housing. This sale completed in April 2015 and the sale proceeds will be used to develop or acquire new social housing in accordance with the Transfer Agreement with Lewisham Council. The first acquisition of a property funded in this way was completed in 2014/15.

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 2016 there were 7 properties remaining to enfranchise or extend the lease.

Following a successful application in 2014/15 to the Heritage Lottery for grant funding to refurbish the Fellowship Inn, work has progressed on the design and feasibility of plans to improve the building 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 £169,000 was received during the year towards the cost of design work and a partner appointed to operate the proposed commercial leisure uses of the building.

During the year Phoenix employed 13 apprentices (including 6 in Phoenix Agency Services) through the Mayor of Lewisham's apprenticeship scheme and partner contractors have employed 15 local people as trainees and apprentices. A Building Lives Academy was launched in January 2015 from one of the community centres. Unfortunately, a reduction in donations and lack of new donors for Building Lives has resulted in the charity not having sufficient funds to continue and its operations ceased on 30 June 2016. Phoenix is seeking other partners to continue the training programmes and take on the lease of the community centre from Building Lives.

Restructuring of the Customer Services and ICT teams was completed during the year. The restructures supported changes in the way customers access our services as a result of the move to the Green Man, the new repairs service post April 2015 and the approved IT strategy. The restructure of the Asset Management team to create a Property and New Business department, reflecting the changing nature of the work within the team and focus on new development and physical regeneration opportunities, was also completed. The costs of the restructures (£456,000) were recognised in 2014/15.

The 'Aiming Higher' programme continued to be delivered with its impact being reflected in an increase in our ranking in the Times Top 100 'not for profit' organisations to work for from 92 to 66, a reduction in complaints and complaints escalation, improvements in managing sickness, recruitment and retention.

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 financial statements for the year ended 31 March 2016 are the first financial statements that comply with FRS 102. The transition to FRS 102 has resulted in a number of changes to accounting policies to those used previously. The nature of those changes and their impact on reserves and surplus are set out in note 32.

The Statement of Consolidated Income on page 29 shows an operating surplus of £9.5 million (2015: £6.8 million) on turnover of £35.2 million (2015: £34.1 million). The main reason for the increase in turnover was the rent increase in April 2015 based on the government's rent framework applicable at that time. The increase in operating surplus was due to the rent increase, lower costs of maintenance as a result of bringing the management of repairs into the subsidiary, Phoenix Agency Services, and reduced costs of void repairs. The operating surplus in 2014/15 was also reduced by exceptional costs of £456,000 associated with restructuring. No exceptional costs were incurred in 2015/16.

Recharges of major works to leaseholders of £1.4 million (2015: £1.5 million) are included under non-social housing activities. The related works are included in operating costs under non-social housing activities.

After the surplus on property sales including the Preserved Right to Buy and Right to Acquire of £260,000 (2015: deficit of £58,000) and interest payable net of other finance income of £2.5 million (2015: £2.4 million), the surplus for the year was £7.3 million (2015: £4.3 million). Under a claw-back agreement with the London Borough of Lewisham, the Association retains only a proportion of income from sales of property through the Preserved Right to Buy. In the year the Association sold 16 properties under the Right to Buy of which its share of the net sales proceeds was £450,000 (2015: £1.0 million). In addition, the Association sold 3 properties under the Right to Acquire and one property which had been a long term void.

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 statement of cash flows on page 35 which shows net cash outflow from investing activities of £8.7 million.

The Consolidated Statement of Financial Position is shown on page 33. The Association has adopted a valuation of its completed freehold housing properties as at 1 April 2014 at £154 million 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. 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 £174 million at 31 March 2016. Social Housing Grant of £1.9 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 component life for structure.

The Board undertook an impairment assessment of the housing stock as a result of the requirement to reduce social housing rents by one per cent per year until 2019/20 in accordance with the Welfare Reform and Work Act. Phoenix has estimated the recoverable amount of its housing properties using the depreciated replacement cost and on this basis, there was no impairment of social housing properties. An impairment assessment of properties where the Board has approved proposals for redevelopment resulted in an impairment loss of £221,000 in writing down the existing components to reflect their shorter life.

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 2016 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 (8%; 2015 8%).

Goodwill of £202,000 (2015: £291,000) relates to the net pension liabilities assumed by the subsidiary, Phoenix Agency Services, following the transfer of staff from the repairs contractor in July 2013.

The Green Man head office and community facility is included under Other Fixed Assets. Part of the building has been sublet to the Lewisham Plus Credit Union for a branch office and to Lewisham Council for the provision of a training kitchen.

Debtors include £3.4 million (2015: £4.4 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 2016 was £155,000 (2015: £122,000). 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), closed to new members from August 2014, and defined contribution structures, and the London Borough of Lewisham local government pension scheme (LGPS) for all participating employees who transferred to the Association on 3 December 2007. The share of the LGPS surplus or deficit is included on the balance sheet in accordance with FRS102 and was a liability of £0.8 million at 31 March 2016 (2015: £2.6 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 reduction in net liability is due mainly to the change in discount rate used to assess the pension liability.

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 2016 an additional charge of £0.1 million was recognised in the Statement of Comprehensive Income and the liability at 31 March 2016 was £144,000.

The revaluation reserve of £49.5 million (2015: £49.6 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 35. The cash inflow from operating activities was £13.4 million (2015: £11.8 million). During the year the Group spent £11.8 million (2015: £13.4 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 £1.9 million (2015: £2.3 million).

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

£000	**2015/16**	**2014/15**	***2013/14****	***2012/13****	***2011/12****
Turnover	35,170	34,064	*32,659*	*34,089*	*29,716*
Operating surplus	9,524	6,784	*7,356*	*7,439*	*6,202*
Net Interest payable	(2,469)	(2,397)	*(2,105)*	*(1,989)*	*(1,551)*
Surplus/(deficit) on sale of properties	260	(58)	*420*	*5*	*(33)*
Surplus for the period	7,315	4,329	*5,670*	*5,455*	*4,618*
Operating margin %	27%	20%	*23%*	*22%*	*21%*
Housing properties	173,626	165,692	*94,964*	*96,604*	*104,327*
Investment property	569	339	-	-	-
Other fixed assets – tangible assets	6,750	7,020	*7,448*	*4,549*	*856*
Other fixed assets – intangible assets	1,025	1,299	*380*	-	-
Net current assets/(liabilities)	339	(403)	*(7,020)*	*1,450*	*(13,021)*
Improvement works liability falling due after more than one year	(159)	(159)	*(12,432)*	*(25,576)*	*(38,690)*
Other liabilities	(1,158)	(529)	-	-	-
Loans	(52,800)	(52,768)	*(52,235)*	*(52,202)*	*(34,170)*
Pensions liability	(822)	(2,614)	*(950)*	*(871)*	*(104)*
Revenue reserves and share capital	77,836	68,269	*30,152*	*23,952*	*19,196*
Revaluation reserve	49,534	49,608	-	-	-
Net cash inflow from operating activities	13,424	11,843	*9,634*	*7,956*	*6,996*
Net interest payable	(2,298)	(2,135)	*(2,078)*	*(2,049)*	*(1,782)*
Capital expenditure	(11,971)	(13,508)	*(17,783)*	*(29,360)*	*(18,469)*
Sale proceeds net of amounts payable to LBL	1,318	560	*1,628*	*223*	*(17)*
Grants	1,952	2,333	*9,571*	*4,600*	*8,293*
Loans drawn down (net)	-	500	-	*18,000*	*5,500*
Number of properties					
General needs	5,369	5,388	*5,427*	*5,461*	*5,472*
Leaseholders	849	842	823	811	809

** 2013/14 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

Following the announcement in the Government's budget in July 2015 that rents for social housing will be reduced by 1% a year for each of the next 4 years, the Board reviewed its corporate and financial plans.

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 long term financial plan has been updated to reflect these changes and continues to show that the 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 is reviewing the development strategy in the light of the rent reductions and the tenure mix of future development will include homes for sale and shared ownership, with the intention of providing cross-subsidy for building homes for affordable rent together with potential grant funding through the Greater London Authority's Continuous Market Engagement programme.

Key priorities for the next year include: the continued construction of the new extra care scheme and commencing work on other new homes; commencing the refurbishment of the Fellowship Inn; agreeing a three year plan for the new Phoenix Repairs service including targets for new business; continuing the 'Aiming Higher' cultural change programme; and delivering the 'Youth Makers Agency' project to engage and involve young people to have a real influence in their local area. An environmental audit and programme of improvements will also be developed in consultation with residents, including the Youth Makers Agency.

A pilot for a private lettings management scheme has been agreed by the Board and will start in 2016/17.

Description of the principal risks and uncertainties faced

The Board undertook a comprehensive 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 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. In addition to the change in rent policy announced on 8 July 2015, we are awaiting the details of policies in respect of lifetime tenancies, the extension of the right to buy and increased rents for higher earners who are social housing residents. This risk is being managed by regular monitoring of policy announcements.

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 an update on the welfare reform action plan every six months.

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

There are some 3,400 tenants who transferred from Lewisham Council who have the preserved right to buy their home. The Government has increased the discount available to tenants under the right to buy to a maximum of £102,700, which has resulted in a substantial increase in the number of such sales. Phoenix retains a fixed proportion of the net sale proceeds under the transfer agreement. More recently, the Government has announced plans to extend the right to buy to housing association tenants. The National Housing Federation is currently negotiating a voluntary extension to the right to buy with the Government on behalf of the sector, which will apply to residents who became tenants of Phoenix after the transfer.

A significant increase in sales would require action to reduce operating costs to compensate for the reduced level of rental income. Phoenix is discussing with the Council the potential to use the right to buy proceeds for acquiring or developing new homes to mitigate the impact of the loss of stock.

New development not achievable within scheme appraisal parameters

The recent upturn in economic conditions is leading to a rise in tender prices for construction. Development appraisal criteria have been reviewed and approved by the Development Sub-Committee and plans for new homes are reviewed by the Committee prior to approval by the Board. Separate risk maps are developed for each project and progress is monitored by the Development Sub-Committee.

Expectation of residents exceeds the provision in the stock condition survey

An independent surveying firm undertook a sample stock condition survey in January 2013 for loan security purposes. The long term projected expenditure from the survey is reflected in the latest financial plan. The external works planned for 2016/17 have been competitively tendered and the contract values achieved were in line with the plan. A programme of environmental works is being developed in consultation with residents.

Increasing levels of vulnerability

There is an increasing level of vulnerability among residents and a decline in community resources available to support them as a result of the combined impact of cuts in Local Authority services and welfare reforms. A ‘safeguarding panel’ is in place which can make referrals to the Local Authority and the Board agreed a pilot project to address cases of hoarding which present risks to the residents and property.

Availability and pricing of finance

The use of the loan facility for the development of new homes was negotiated in January 2014. A key priority set by the Board is to evaluate options for growth and this will require additional finance above the current loan facility. Access to additional or new loans will be secured prior to any contractual commitment for new development which requires additional finance.

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

Governance

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.

During the year the Board was supported by three sub-committees as set out below.

The Audit Committee is responsible for appointing and monitoring the work of internal audit, consideration of the external audit management letter, compliance with the adopted code of governance, and reviewing the effectiveness of the risk management framework and system of internal controls. It receives reports on internal controls and recommendations for improvement from both internal and external auditors and meets privately with the internal and external auditors at least once a year. The Committee membership includes one independent who is not a member of the Board.

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

The Development Sub-Committee is responsible for overseeing Phoenix's overall development strategy and the review of the appraisal assumptions 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:

Board members should be selected	Lewisham Council nominates 2 members to the Board. A meeting took place with the Mayor of Lewisham to discuss Council nominations, following which a joint protocol has been agreed. Resident Board members are elected by shareholders. The Board has introduced a selection process for residents who want to become Board members to approve candidates who can stand for election.
The maximum term of office for any Board member is nine years	The Board has agreed that no member can stand for election if at the time of such election they have already served nine years as a Board member. In practice this means that it is possible for a member to serve up to 11 years.

The subsidiary company, Phoenix Agency Services, has a board of 5 members appointed by Phoenix Community Housing.

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's activities expose it primarily to the financial risks of changes in interest rates. The Association uses interest rate swaps embedded within the loan to hedge these exposures and at 31 March 2016 £40 million (75% of debt) was held at fixed rates of interest. The Association has put in place a number of fixed rate agreements with Barclays Bank so that the proportion of projected debt which is at fixed rates of interest remains in the range of 60% to 84% over the next 10 years, in line with the Board's Treasury Management Policy, and averages 81% 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 Board agreed a long term loan facility with Barclays Bank plc of £70 million at transfer to finance the major works and improvement programme to the housing stock. At 31 March 2016 the Association had borrowed £53.5 million under this facility. In order to support the Board's plans for the development of new homes, a restatement of the loan facility was agreed with Barclays Bank 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 2016 the Group had £53 million (2015: £38 million) of capital commitments which will be funded by a combination of operating surpluses, capital grants and drawdown of debt under the Association's loan facility.

The Association has agreed financial covenants with Barclays Bank in respect of cash deficits and asset cover. For the year to 31 March 2016, 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 2016/17 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.

Board report

The Board presents the consolidated financial statements for the year ended 31 March 2016.

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.

Board and Executive Team

The Association's Board and Executive Officers are listed on page 1 of this report. 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 Association 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 2016 was 3,099.

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 at a joint Community Links event make the final decisions about which projects are funded by voting on their priorities for funding from the applications submitted.

The Board agreed to establish a new Gateway Committee, for which recruitment and training took place during 2014/15. The Phoenix Gateway Committee (PGC) provides a key link between the Board, the Community Links and shareholding members, and considers an annual programme of strategic matters proposed by the Board. The PGC has an advisory role and provides a sounding board and forum for discussion on specific Phoenix proposals and services. The aim is to be both inclusive and promote joint working at all levels of the organisation, and also to assist in the 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 one member of staff, recognising that staff play a vital role in delivering services and are keen to work with residents in steering the strategic direction they take. The Gateway Committee has shaped our responses to the Welfare Reform, STAR Survey, residents events, Annual General Meeting, Youth Makers Agency, car parking control pilot and Equality and Diversity priorities.

A Resident Scrutiny Panel has been set up to provide a specific resident forum to scrutinise Phoenix's service performance and help to improve services for all residents in line with arrangements set out in the Homes and Communities Agency's Regulatory Framework. The Resident Scrutiny Panel is an independent body of residents working together to check and challenge our services and reports its findings and makes recommendations directly to the Board and Executive Team. The Scrutiny Panel has completed 2 reviews during the year covering "Out of hours Services" and lettings and sign up of new tenancies. Its recommendations have been considered and accepted by the Executive Team and the Board.

A Policy Working Group, comprising of residents, reviews and comments on proposed policies prior to consideration by the Board. The Policy Working Group reviewed 15 policies during the year.

Phoenix also 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 by shopping vouchers which is paid 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 the year; 43% of all residents are now shareholders and the re-launch of the scheme has resulted in a 108% increase in Gold Members.

The Academy Programme for 2014/15 was evaluated and used to shape the 2015/16 programme. In June 2016, 8 students graduated and some of these students and previous graduates have since applied and been accepted to complete a level 2 Chartered Institute of Housing practice qualification, funded by a bursary from Phoenix. All of the new trainees have agreed to volunteer with Phoenix as part of their course. This will help 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).

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

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

The HCA publishes its assessment of providers' compliance with the Governance and Financial Viability standard. The most recent regulatory assessment published in March 2016 by the HCA confirmed that Phoenix met the requirements set out in this standard. Compliance with the HCA's Governance and Financial Viability Standard was reviewed by the Board in July 2016. The Association complies with the Standard. Exceptions with regard to compliance with the NHF 2015 Code of Governance are noted on page 14.

The consumer standards are:

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

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

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

Following consultation with residents, the Board agreed a set of Phoenix Standards in 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.

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

- For tenants who need Aids and Adaptations to make living at home easier.
- For older tenants and tenants with support needs.

The Localism Act places an increased focus on resident satisfaction and complaints to the Ombudsman, Council members and Members of Parliament as a trigger for regulatory action. The Board has approved the complaints process whereby complaints will be considered by Phoenix officers in a two stage process, following which a resident can take their complaint to the designated person or the Ombudsman if they are still not satisfied with the outcome. The Board has also agreed the criteria for setting up a Tenants' Panel for considering complaints if tenants wish to undertake this role in the future.

Merger code

The Board has noted the introduction of 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.

Value for Money Self-Assessment 2015/16

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 2015. 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 £149 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 one at 31 March 2016.

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 30 days for all voids, and 23 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 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 has agreed to apply the spare capacity in the loan facility to the development of new homes. The Corporate Plan also includes an objective to review the Development Strategy during 2016/17 to set targets for the development of further new homes, including shared ownership and properties for sale to provide cross-subsidy for homes for rent. This will require additional financing which will be sought before any contractual commitments are made.

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. 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 2015/16 was £627,000 net of income received, around 3% of total operating costs (£681,000 in 2014/15; 3% 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 which show an estimated return of between £7 to £119 per £1 invested.

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.

Overall cost comparisons
In June 2016, the Homes and Communities Agency (HCA) wrote to the Boards of all of the largest registered providers setting out their unit costs for 2014/15. The letter highlighted the need for all providers to have an intense focus on efficiency if we are to deliver quality services to tenants and invest in new and existing homes.

The table below is an extract of the cost data provided.

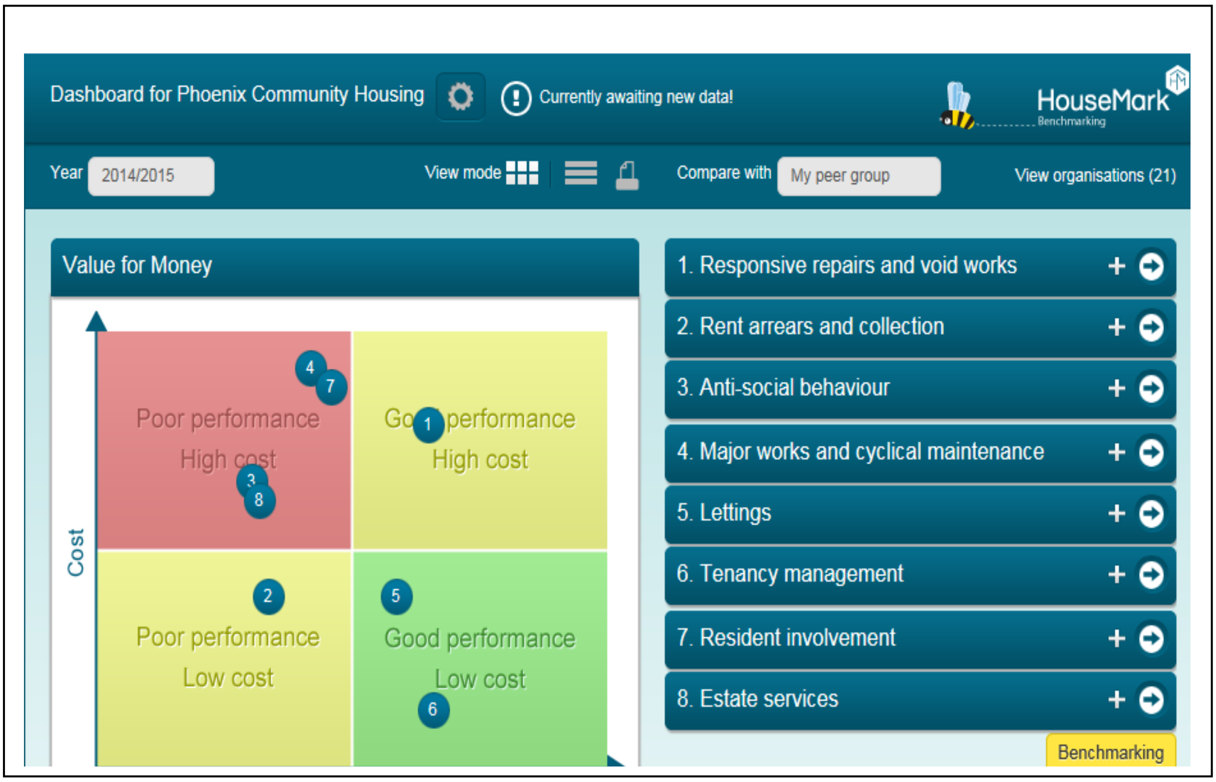
Entity	Closing social housing units managed	Headline social housing cost CPU (£K)	Management CPU (£K)	Service charge CPU (£K)	Maintenance CPU (£K)	Major repairs CPU (£K)	Other social housing costs CPU (£K)
Phoenix Community Housing Association (Bellingham and Downham) Limited	5,388	6.45	0.91	0.74	1.53	2.88	0.38
Sector level data							
Upper quartile		4.30	1.27	0.61	1.18	1.13	0.41
Median		3.55	0.95	0.36	0.98	0.80	0.20
Lower quartile		3.19	0.70	0.23	0.81	0.53	0.08

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Closing social housing units managed	5388		
Headline social housing cost CPU £000	Above upper quartile	The most significant element is major works – see commentary below.	See commentary below
Management CPU £000	Below median	The more detailed benchmarking of costs via Housemark (see below) confirm 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 CPU £000	Above 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 close to the median. The majority of service costs are covered by service charges to residents.	The corporate plan includes a review of our grounds maintenance service in 2016/17.
Maintenance CPU £000	Above upper 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 to properties including garden clearance to meet our void standard. The overall cost of maintenance has reduced in 2015/16 following the implementation of our Repairs 2015 project.	The budget for 2016/17 targets further savings for the repairs service and the corporate plan includes an objective to review the voids standard.
Major repairs CPU £000	Above upper quartile	This reflects the continuing major works programme as part of the stock transfer commitments.	The financial plan reflects a significant reduction in expenditure from 2018.
Other social housing costs CPU £000	Above median	This includes the cost of our community regeneration activities and the costs of restructuring during 2014/15. It also includes the cost of corporate services recharged to the subsidiary, Phoenix Agency Services, which is covered by income from the subsidiary.	Costs of restructuring were a one off item in 2014/15. With the management of the repairs service brought in-house, the cost of corporate services charged to Phoenix Agency Services have increased but this is matched by an increase in income from the subsidiary.

More detailed cost comparisons

We are also a member of a benchmarking group (Housemark) which provides more detailed comparative information on costs and performance. The latest benchmarking data to 2014/15 is set out below. A full report showing our costs and how we compare to others is available on our web site here: http://www.phoenixch.org.uk/performance.

Summary of costs and performance in comparison to other London based associations with less than 7,500 homes 2014/15



The summaries above show 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 tables below:

Value for Money indicator	Phoenix 2015/16	Phoenix 2014/15	Phoenix 2013/14	Phoenix 2012/13	Peer Group 2014/15 (median)
Management costs per home	Not yet available	£536	£577	£571	£631
Responsive and void repairs cost per home	Not yet available	£1,150	£1,042	£1,002	£929
Estate service costs per home	Not yet available	£376	£328	£301	£259
Overhead cost as a percentage of turnover	Not yet available	15.2%	16.1%	15.2%	14.23%
Void losses %	0.28%	0.33%	0.42%	0.47%	0.66%

Satisfaction
Overall tenant satisfaction 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.

Costs
Management costs overall are below the median in our peer group and lower than previous years. Overall revenue maintenance costs increased compared to 2013/14 and are higher than our peers, despite the savings achieved through the new subsidiary arrangement introduced in July 2013. The increase was driven by an increase in revenue works in void properties. 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. A review of the void standard is planned for 2016/17 and the decision to bring the management of repairs in house has provided further savings in 2015/16. 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.

Value for money gains
In last year's statement we set out the key value for money initiatives for 2015/16. In total we achieved value for money gains of just over £1 million against target savings of £615,000. The Value for Money gains have been invested as follows:

- Community Chest funding
- Employment of 7 apprentices
- Secondment to Lewisham Council to assist with the impact of welfare reform
- Provision of space at the Green Man at a peppercorn rent for the Credit Union and the Council for a training kitchen
- Funding for the development of new homes
- The additional investment in value for money initiatives for the future.

Our new Corporate Plan 2016-2020 includes a number of initiatives to reduce our operating costs to achieve our revised financial plan projections. The budget for 2016/17 reflects total savings of £489,000.

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.

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 recognises the principal trade unions that represent its employees.

The Group is committed to consulting and involving staff on all aspects of its operations through a Joint Consultative Forum, staff briefings, team meetings, e-mail communications, newsletters and the intranet. We were recognised as one of the top not-for-profit companies to work for in the Sunday Times Best Companies Awards 2014 and 2015.

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 13 apprentices.

Diversity

The diversity of staff is a key performance measure and as at 31 March 2016 the staff employed by the Group comprised 22% black and minority ethnic employees, 42% women and 16 staff with a stated disability. Applications for jobs are encouraged from people with disabilities and appropriate adjustments are made to the jobs of employees with disabilities to enable them to remain in employment. Phoenix is proud to have been accredited with the Two Ticks symbol and is a member of Stonewall.

Health, Safety and Welfare of Employees at Work

The Board is aware of its responsibilities and receives a quarterly report on health and safety matters. The 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 agreed a revised health and safety policy statement following a review by the Committee during the year.

Phoenix Agency Services attained accreditation under the ISO 18001 standard.

Disclosure of Information to the Auditors

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

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

Statement on System of Internal Control

The Board is ultimately responsible for Phoenix's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to meet corporate objectives. The system is also designed to give reasonable assurance that financial and management performance information is reliable and that the Group's assets are safeguarded. It can provide reasonable, but not absolute assurance against the possibility of material misstatement or loss.

Key procedures have been established and are designed to provide effective internal control. These key areas cover control, reporting information systems, monitoring and risk management.

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 to support managers in implementing the refreshed Risk Strategy has also developed and implemented.

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

- sound corporate governance arrangements including the adoption of the principal recommendations of the NHF's Code of Governance. A review of governance arrangements was undertaken and actions approved by the Board;
- a long term financial plan and corporate plan with specific targets and objectives;
- an organisational structure with clearly defined lines of responsibility and delegations of authority. These are set out in 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 is comprised of different sources of assurance, the most significant ones being reports from the internal auditors, the Audit Committee, external auditors, the Executive Team and the Residents Scrutiny Panel. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

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

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

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

Auditors

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting in September 2016.

On behalf of the Board
Pat Fordham, MBE
Chair

Date: 28 July 2016

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 2016 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 27, 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 2016 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 2016

	Note	2016 £000	2015 £000
TURNOVER	4	35,170	34,064
Operating expenditure	4	(25,716)	(27,306)
Other income		70	26
OPERATING SURPLUS	4	9,524	6,784
Gain/(loss) on sale of property, plant and equipment	8	260	(58)
Interest receivable	9	2	5
Interest payable and financing costs	10	(2,471)	(2,402)
SURPLUS FOR THE YEAR BEFORE TAXATION		7,315	4,329
Tax credit on surplus on ordinary activities	11	21	11
SURPLUS FOR THE YEAR		7,336	4,340
OTHER COMPREHENSIVE INCOME			
Actuarial gain/(loss) on pension scheme	28(a)	2,157	(1,426)
TOTAL COMPREHENSIVE INCOME		9,493	2,914

All amounts relate to continuing activities.
Comparative figures reflect the adoption of FRS 102 and the Housing SORP 2014 (see note 32).

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2016

	Revenue Reserve £000	Revaluation Reserve £000	Total £000
Balance at 31 March 2014	65,068	49,892	114,960
Surplus for the year	4,340	-	4,340
Actuarial loss	(1,426)	-	(1,426)
Transfer from revaluation reserve	284	(284)	-
Balance at 31 March 2015	68,266	49,608	117,874
Surplus for the year	7,336	-	7,336
Actuarial gain	2,157	-	2,157
Transfer from revaluation reserve	74	(74)	-
Balance at 31 March 2016	77,833	49,534	127,367

All amounts relate to continuing activities.
Comparative figures reflect the adoption of FRS 102 and the Housing SORP 2014 (see note 32).

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.

Association Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 £000	2015 £000
TURNOVER	4	35,651	34,309
Operating expenditure	4	(26,032)	(27,468)
Other income		70	26
OPERATING SURPLUS	4	9,689	6,867
Gain/(loss) on sale of property, plant and equipment	8	260	(58)
Interest receivable	9	2	5
Interest payable and financing costs	10	(2,438)	(2,376)
SURPLUS FOR THE YEAR		7,513	4,438
OTHER COMPREHENSIVE INCOME			
Actuarial gain/(loss) on pension scheme	28(b)	1,716	(1,200)
TOTAL COMPREHENSIVE INCOME		9,229	3,238

All amounts relate to continuing activities.
Comparative figures reflect the adoption of FRS 102 and the Housing SORP 2014 (see note 32).

Association Statement of Changes in Reserves

For the year ended 31 March 2016

	Revenue Reserve £000	Revaluation Reserve £000	Total £000
Balance at 31 March 2014	65,021	49,892	114,913
Surplus for the year	4,438	-	4,438
Actuarial loss	(1,200)	-	(1,200)
Transfer from revaluation reserve	284	(284)	-
Balance at 31 March 2015	68,543	49,608	118,151
Surplus for the year	7,513	-	7,513
Actuarial gain	1,716	-	1,716
Transfer from revaluation reserve	74	(74)	-
Balance at 31 March 2016	77,846	49,534	127,380

All amounts relate to continuing activities.
Comparative figures reflect the adoption of FRS 102 and the Housing SORP 2014 (see note 32).

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.

Consolidated Statement of Financial Position

As at 31 March 2016

		2016	**2015**
FIXED ASSETS	**Note**	**£000**	**£000**
Housing properties	12	173,626	165,692
Investment properties	13	569	339
Other fixed assets – intangible assets	14	1,025	1,299
Other fixed assets – tangible assets	15	6,750	7,020
		181,970	174,350
CURRENT ASSETS			
Stock and work in progress	16	85	-
Trade and other debtors	17	7,075	9,670
Cash and cash equivalents	18	3,425	1,000
		10,585	10,670
CREDITORS: Amounts falling due within one year	19	(10,246)	(11,073)
NET CURRENT ASSETS/(LIABILITIES)		339	(403)
TOTAL ASSETS LESS CURRENT LIABILITIES		182,309	173,947
CREDITORS: Amounts falling due in more than one year	20	54,117	53,456
Pension liability	28(a)	822	2,614
		54,939	56,070
CAPITAL AND RESERVES			
Non-equity share capital	23	3	3
Revenue reserve		77,833	68,266
Revaluation reserve		49,534	49,608
		182,309	173,947

Comparative figures reflect the adoption of FRS 102 and the Housing SORP 2014 (see note 32). The accounts were approved by the Board on 28 July 2016 and were signed on its behalf by:

Pat Fordham, MBE	**Phil Newsam**	**Chris Starke**
Chair	Board Member	Secretary

Association Statement of Financial Position

As at 31 March 2016

	Note	2016 £000	2015 £000
FIXED ASSETS			
Housing properties	12	173,626	165,692
Investment properties	13	569	339
Other fixed assets – intangible assets	14	823	1,008
Other fixed assets – tangible assets	15	6,593	6,809
Investment in subsidiary undertaking	31	5	5
		181,616	173,853
CURRENT ASSETS			
Trade and other debtors	17	7,095	9,839
Cash and cash equivalents	18	3,007	841
		10,102	10,680
CREDITORS: Amounts falling due within one year	19	(9,899)	(11,105)
NET CURRENT ASSETS/(LIABILITIES)		203	(425)
TOTAL ASSETS LESS CURRENT LIABILITIES		181,819	173,428
CREDITORS: Amounts falling due in more than one year	20	54,117	53,456
Pension liability	28(b)	319	1,818
		54,436	55,274
CAPITAL AND RESERVES			
Non-equity share capital	23	3	3
Revenue reserve		77,846	68,543
Revaluation reserve		49,534	49,608
		181,819	173,428

Comparative figures reflect the adoption of FRS 102 and the Housing SORP 2014 (see note 32). The accounts were approved by the Board on 28 July 2016 and were signed on its behalf by:

Pat Fordham, MBE	**Phil Newsam**	**Chris Starke**
Chair	Board Member	Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 £000	2015 £000
NET CASH GENERATED FROM OPERATING ACTIVITIES	25	13,424	11,843
CASH FLOW FROM INVESTING ACTIVITIES			
Improvement of properties and purchase of tangible fixed assets		(11,804)	(13,377)
Additions to investment properties		(167)	(131)
Proceeds from sale of property, plant and equipment		1,318	560
Grants received		1,952	2,333
Interest received		2	5
		(8,699)	(10,610)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		-	500
Interest paid		(2,300)	(2,140)
		(2,300)	(1,640)
NET CHANGE IN CASH AND CASH EQUIVALENTS		2,425	(407)
CASH AND CASH EQUIVALENTS AT 1 APRIL		1,000	1,407
CASH AND CASH EQUIVALENTS AT 31 MARCH		3,425	1,000

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 2016

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 provider (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 for the year ended 31 March 2016 are the first financial statements that comply with FRS 102. The date of transition is 1 April 2014. The transition to FRS 102 has resulted in a number of changes to accounting policies to those used previously. The nature of those changes and their impact on reserves and surplus are set out in Note 32 and explained below.

The financial statements present information about the Association as an independent undertaking and its group. The financial statements consolidate the accounts of the Association and its subsidiary undertaking using 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 Economic 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 and software	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 over the same basis 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 housing properties' carrying amount to their 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 surplus or deficit 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 balance sheet date, except for gains on disposal of fixed assets, which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

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

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

(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) Going concern

After reviewing the budget for 2016/17 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.

<u>Judgements:</u>
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.

(b) Impairment review

The Board considers indicators of impairment, such as a change in government policy, a reduction in demand for a property, obsolescence and contamination of a site, in respect of an asset or group of assets.

From 1 April 2016, Phoenix reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Welfare Reform and Work Act. This change in government policy is a trigger for an impairment assessment of the social housing assets. Phoenix has estimated the recoverable amount of its housing properties as follows:

- determined the level at which the recoverable amount is to be assessed (ie the individual asset level or at cash-generating unit (CGU) level). The CGU was determined to be the whole stock given the concentration in one geographic area and the way in which the stock is managed;
- estimated the recoverable amount of the stock using the depreciated replacement cost;
- calculated the carrying amount of the stock; and
- compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

Based on this assessment, there was no impairment of social housing properties.

Following decisions by the Board to redevelop some existing properties, an impairment assessment has been undertaken on those properties and an impairment loss of £221,000 recognised, being the net book value of existing components in the properties.

(c) Financial instruments

Judgement is applied in determining whether a debt instrument satisfies the requirements in FRS102 to be treated as basic. Phoenix has a number of fixed rate swaps embedded within the loan. The loan agreement contains a funding indemnity clause in the event of early repayment of a fixed rate loan. The funding indemnity is calculated on the outstanding loan balance at the time of early repayment at the fixed rate less LIBOR. The clause adds that if the amount payable is a negative amount, the lender shall pay the borrower an amount equal to such negative amount.

Section 11 of FRS102 sets out the requirements for financial instruments to be recognised as basic. Section 11.9 c) allows contractual provisions that permit the issuer to prepay a debt instrument before maturity. 11.9 c) also states that "the inclusion of contractual terms that, as a result of the early termination, require the issuer to compensate the holder for the early termination does not, in itself, constitute a breach of this condition." Section 11.9 c) does not explicitly address the situation where the compensation amount paid by the issuer (i.e. borrower) to the holder (i.e. lender) is negative. The Board considers that as the compensation can be negative, the Section 11.9 c) criteria can be interpreted symmetrically and therefore the fixed rate loans meet the basic financial instrument criteria set out in Section 11.

The lender does not lose principal or interest attributable to the current or prior periods – the compensation premium is a third component of the total payment made upon early repayment, alongside full payment of principal and accrued interest, and is based on *future* interest foregone (not past or current interest).

The Board has determined that a cancellable swap arranged with the lender embedded within a loan meets the definition of a basic instrument.

<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.

(d) Investment properties
The fair value of some 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% (2015: 8%). Judgements have been made in determining the appropriate discount rates used in the valuation. The fair value of the Fellowship Inn at 31 March 2016 is based on an independent professional valuation.

(e) 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 2016 was £155,000 (2015: £122,000).

(f) 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 28 and reflect historical experience and current trends.

(g) 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	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 social housing activities	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
	35,170	(25,716)	70	9,524

Group particulars of turnover, operating expenditure and operating surplus	2015			
	Turnover	**Operating Costs**	**Other Income**	**Operating Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	31,360	(24,054)	-	7,306
Development costs not capitalised	-	(294)	-	(294)
Other	308	(235)	-	73
	31,668	(24,583)	-	7,085
Activities other than social housing activities				
Lettings:				
Leaseholders	2,196	(2,626)	-	(430)
Garages	48	-	-	48
Other income	152	(97)	-	55
	2,396	(2,723)	-	(327)
Gain on revaluation of investment properties	-	-	26	26
	34,064	(27,306)	26	6,784

4 Turnover, Operating Costs and Operating Surplus (continued)

(a) 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
	35,651	(26,032)	70	9,689

Association particulars of turnover, operating expenditure and operating surplus

2015	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000
Social housing lettings (note 4b)	31,360	(24,019)	-	7,341
Development costs not capitalised	-	(294)	-	(294)
Other social housing activities	553	(432)	-	121
	31,913	(24,745)	-	7,168
Activities other than social housing activities				
Lettings:				
Leaseholders	2,196	(2,626)	-	(430)
Garages	48	-	-	48
Other income	152	(97)	-	55
	2,396	(2,723)	-	(327)
Gain on revaluation of investment properties	-	-	26	26
	34,309	(27,468)	26	6,867

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Group particulars of turnover and operating expenditure from social housing lettings	**General Needs 2016 £000**	**General Needs 2015 £000**
Income		
Rent receivable net of identifiable service charges	29,324	28,699
Service charge income	2,686	2,651
Amortised government grant	11	10
Turnover from social housing lettings	**32,021**	**31,360**
Operating expenditure		
Management	4,992	4,983
Service charge costs	3,932	4,006
Routine maintenance	5,331	6,378
Planned maintenance	2,264	1,878
Major repairs expenditure	1,523	2,499
Bad debts	127	129
Depreciation of housing properties	3,085	2,884
Impairment of housing properties	221	-
Exceptional items (see note 5)	-	456
Other costs	829	841
Operating expenditure on social housing lettings	**22,304**	**24,054**
Operating surplus on social housing lettings	**9,717**	**7,306**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**118**	**139**

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Association particulars of turnover and operating expenditure from social housing lettings	General Needs 2016 £000	General Needs 2015 £000
Income		
Rent receivable net of identifiable service charges	29,324	28,699
Service charge income	2,686	2,651
Amortised government grant	11	10
Turnover from social housing lettings	**32,021**	**31,360**
Operating expenditure		
Management	4,992	4,970
Service charge costs	3,932	4,006
Routine maintenance	5,166	6,356
Planned maintenance	2,264	1,878
Major repairs expenditure	1,523	2,499
Bad debts	127	129
Depreciation of housing properties	3,085	2,884
Impairment of housing properties	221	-
Exceptional items (see note 5)	-	456
Other costs	829	841
Operating expenditure on social housing lettings	**22,139**	**24,019**
Operating surplus on social housing lettings	**9,882**	**7,341**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**118**	**139**

5 Surplus for the Year

Group	**2016 £000**	**2015 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,085	2,884
Impairment of housing properties	221	-
Depreciation of other fixed assets	420	309
Amortisation of intangible fixed assets	449	288
Amortisation of government grant	(11)	(10)
External auditors' remuneration (excluding VAT and expenses):		
- in their capacity as auditors	45	33
- for other services	10	15
Operating lease rentals	175	29
Exceptional items (see note 4b):		
Cost of restructuring	-	456

Association	**2016 £000**	**2015 £000**
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,085	2,884
Impairment of housing properties	221	-
Depreciation of other fixed assets	367	309
Amortisation of intangible fixed assets	360	199
Amortisation of government grant	(11)	(10)
External auditors' remuneration (excluding VAT and expenses):		
- in their capacity as auditors	43	31
- for other services	10	13
Operating lease rentals	175	29
Exceptional items (see note 4b):		
Cost of restructuring	-	456

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.

	2016 £000	2015 £000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	744	711
Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind)	130	124
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 £14,471 in the year (2015: £25,377). There are no payments made to separately administered pension schemes.

During the year the Board approved, after taking legal advice, the Flexible Retirement, as defined by the Local Government Pension Scheme (LGPS), of the Chief Executive with effect from 5 August 2015. At this date, the Chief Executive moved to part time working in accordance with the flexible retirement regulations set out in the scheme. The cost to Phoenix of granting the Chief Executive Flexible Retirement on 5 August 2015 was £13,169. In approving the Flexible Retirement arrangements, the Board noted that there will be ongoing employer pension contributions savings for Phoenix (the 20.4% rate for the LGPS scheme falls to 6% under the SHPS defined contribution scheme to which the Chief Executive subsequently joined).

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:

	2016 Number	2015 Number
£60,001 to £70,000	8	3
£70,001 to £80,000	2	1
£80,001 to £90,000	1	1
£90,001 to £100,000	2	1
£100,001 to £110,000	-	3
£110,001 to £120,000	1	1
£120,001 to £130,000	-	1
£130,001 to £140,000	1	-

The aggregate amount of compensation payable to directors in respect of loss of office was £nil (2015: £nil).

7 Employee Information

Group

The average number of full-time equivalent persons, including the Executive (excluding the Board), employed during the year to 31 March 2016:

	2016 Number	**2015 Number**
Office staff	149	141
Caretakers	20	21
Maintenance	41	42
	210	204

	2016 £000	**2015 £000**
Staff costs (for the above persons)		
Wages and salaries	7,088	7,059
Social security costs	708	634
Pension costs	1,081	885
	8,877	8,578

Association

The average number of full-time equivalent persons, including the Executive (excluding the Board), employed during the year to 31 March 2016:

	2016 Number	**2015 Number**
Office staff	138	129
Caretakers	20	21
	158	150

	2016 £000	**2015 £000**
Staff costs (for the above persons)		
Wages and salaries	5,391	5,370
Social security costs	545	474
Pension costs	838	677
	6,774	6,521

8 Gain/(Loss) on Sale of Property, Plant and Equipment

Group and Association	2016 £000	2015 £000
Disposal proceeds	3,246	3,507
Less cost of sales	(784)	(1,144)
Less amount repayable to the London Borough of Lewisham under the Right to Buy sharing agreement	(1,661)	(2,221)
Transfer to disposal proceeds fund	(541)	(200)
	260	(58)

9 Interest Receivable

Group and Association	2016 £000	2015 £000
From bank deposits	2	5
	2	5

10 Interest Payable and Financing Costs

Group	2016 £000	2015 £000
On housing loans	2,309	2,284
Unwinding of discounts on provisions	33	31
Amortisation of loan arrangement fees	33	33
Net interest on defined benefit liability	96	54
	2,471	2,402

Association	2016 £000	2015 £000
On housing loans	2,309	2,284
Unwinding of discounts on provisions	33	31
Amortisation of loan arrangement fees	33	33
Net interest on defined benefit liability	63	28
	2,438	2,376

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 credit for tax of £21,000 (2014/15: credit £11,000) for Phoenix Agency Services.

12 Tangible Fixed Assets – Housing Properties

	Completed held for letting	Under construction	Total
Group and Association	**£000**	**£000**	**£000**
Deemed Cost			
At 1 April 2015	167,547	1,130	168,677
Additions	9,208	2,691	11,899
Disposals	(676)	-	(676)
At 31 March 2016	**176,079**	**3,821**	**179,900**
Depreciation			
At 1 April 2015	2,985	-	2,985
Charge for period	3,085	-	3,085
Released on disposal	(17)	-	(17)
At 31 March 2016	**6,053**		**6,053**
Impairment			
At 1 April 2015	-	-	-
Charge for period	221	-	221
At 31 March 2016	221	-	221
Net book value:			
At 31 March 2016	**169,805**	**3,821**	**173,626**
At 31 March 2015	164,562	1,130	165,692

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 £8,000 of capitalised interest (2015: £9,000), 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 2016 was £48.5 million (2015: £46.5 million).

13 Investment Properties

Group and Association	**£000**
At 1 April 2015	339
Additions	167
Revaluation	63
At 31 March 2016	569

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 2016. 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 (8%; 2015 8%).

14 Other Fixed Assets – Intangible Assets

Group	**Computer software**	**Goodwill**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 April 2015	1,518	447	1,965
Additions	175	-	175
At 31 March 2016	**1,693**	**447**	**2,140**
Amortisation			
At 1 April 2015	510	156	666
Charge for the period	360	89	449
At 31 March 2016	**870**	**245**	**1,115**
Net book value			
At 31 March 2016	**823**	**202**	**1,025**
At 31 March 2015	1,008	291	1,299

14 Other Fixed Assets – Intangible Assets (continued)

Association	**Computer software £000**
Cost	
At 1 April 2015	1,518
Additions	175
At 31 March 2016	**1,693**
Amortisation	
At 1 April 2015	510
Charge for the period	360
At 31 March 2016	**870**
Net book value	
At 31 March 2016	**823**
At 31 March 2015	1,008

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						
As at 1 April 2015	6,284	132	24	823	353	7,616
Additions	30	2	-	111	7	150
Disposals	-	-	-	(84)	-	(84)
At 31 March 2016	**6,314**	**134**	**24**	**850**	**360**	**7,682**
Depreciation						
As at 1 April 2015	164	1	24	233	174	596
Charge for the period	125	16	-	214	65	420
Disposals	-	-	-	(84)	-	(84)
At 31 March 2016	**289**	**17**	**24**	**363**	**239**	**932**
Net book value						
At 31 March 2016	**6,025**	**117**	**-**	**487**	**121**	**6,750**
At 31 March 2015	6,120	131	-	590	179	7,020

*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						
As at 1 April 2015	6,284	132	24	611	353	7,404
Additions	30	2	-	112	7	151
Disposals	-	-	-	(84)	-	(84)
At 31 March 2016	**6,314**	**134**	**24**	**639**	**360**	**7,471**
Depreciation						
As at 1 April 2015	164	1	24	232	174	595
Charge for the period	125	16	-	161	65	367
Disposals	-	-	-	(84)	-	(84)
At 31 March 2016	**289**	**17**	**24**	**309**	**239**	**878**
Net book value						
At 31 March 2016	**6,025**	**117**	**-**	**330**	**121**	**6,593**
At 31 March 2015	6,120	131	-	379	179	6,809

*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	31 March 2016 £'000	31 March 2015 £'000
Stock	50	-
Work in progress	35	-
	85	-

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

17 Trade and Other Debtors

Group	2016 £000	2015 £000
Due in more than one year		
Amount owed by leaseholders (gross balance)	894	910
Less net present value adjustments for repayment agreements	(155)	(122)
	739	788
Due within one year		
Arrears of rent and service charges	2,010	2,077
Less provision for bad debts	(1,304)	(1,578)
	706	499
Amount owed by leaseholders	2,477	3,503
Other debtors	187	230
Grants receivable	-	1,952
Input VAT reclaimable	727	1,012
Corporation tax	6	-
Deferred tax	37	21
Cash in transit	307	316
Prepayments and accrued income	1,889	1,349
	6,336	8,882
Total debtors	**7,075**	**9,670**

17 Trade and Other Debtors (continued)

	2016	2015
Association	**£000**	**£000**
Due in more than one year		
Amount owed by leaseholders (gross balance)	894	910
Less net present value adjustments for repayment agreements	(155)	(122)
	739	788
Due within one year		
Arrears of rent and service charges	2,010	2,077
Less provision for bad debts	(1,304)	(1,578)
	706	499
Amount owed by leaseholders	2,477	3,503
Amount owed by subsidiary undertaking	43	218
Other debtors	187	229
Grants receivable	-	1,952
Input VAT reclaimable	727	1,012
Cash in transit	307	316
Prepayments and accrued income	1,909	1,322
	6,356	9,051
Total debtors	**7,095**	**9,839**

18 Cash and Cash Equivalents

There is a charge in favour of the lender on cash at bank and in hand which amounted to £3,007,000 at 31 March 2016 (2015: £841,000).

19 Creditors: Amounts falling due within one year

Group	**2016**	**2015**
	£000	**£000**
Rents prepaid	1,058	1,026
Trade creditors	2,168	1,563
Corporation tax payable	-	-
Other taxes and social security costs	225	191
Other payroll deductions	3	3
Right to buy sale clawback and VAT payable to Lewisham Council	2,045	3,141
Other creditors and accruals	2,288	2,916
Deferred income	517	200
Grant in advance	-	1,514
Deferred income – unamortised government grant	1,942	519
	10,246	11,073

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

Association	**2016 £000**	**2015 £000**
Rents prepaid	1,058	1,026
Trade creditors	1,986	1,525
Amount due to subsidiary undertaking	29	128
Other taxes and social security costs	162	146
Other payroll deductions	3	3
Right to buy sale clawback and VAT payable to Lewisham Council	2,039	3,141
Other creditors and accruals	2,163	2,888
Deferred income	517	215
Grant in advance	-	1,514
Deferred income – unamortised government grant	1,942	519
	9,899	11,105

20 Creditors: Amounts falling due after more than one year

Group and Association	**2016 £000**	**2015 £000**
Improvement works	159	159
Loans	52,800	52,768
Accrual for pension scheme deficit funding agreement	144	46
Disposal Proceeds Fund	741	200
Deferred income – unamortised capital grant (see note 21)	273	283
	54,117	53,456

Group and Association	**2016 £000**	**2015 £000**
Loans repayable other than by instalments as follows:		
In five years or more	53,500	53,500
Less issue costs	(700)	(732)
	52,800	52,768

In addition to the above debt, at 31 March 2016 Phoenix had undrawn loan facilities of £16.5m (2015: £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 Deferred Income – Capital Grant

Group and Association	2016 £000	2015 £000
At 1 April	802	283
Grant received during the year	1,423	529
Released to income in the year	(11)	(10)
At 31 March	2,214	802
Amount due within one year	1,942	519

22 Disposal Proceeds Fund

Group and Association	2016 £000	2015 £000
At 1 April	200	-
Inputs to fund:		
Funds recycled	541	200
Interest accrued	-	-
Use/allocation of funds:	-	-
New build		
	-	-
Repayment to Greater London Authority		
At 31 March	741	200
All amounts relate to Greater London Authority		
Amounts 3 years old or older where repayment may be required	-	-

23 Share Capital – Non Equity

	2016 £	2015 £
£1 shares		
At 1 April	2,605	2,620
Issued during the period	494	-
Cancelled	-	(15)
At 31 March	3,099	2,605

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.

24 Capital Commitments

Group and Association	**2016**	**2015**
	£000	**£000**
Capital expenditure that has been contracted for	17,634	11,155
Capital expenditure that has been authorised by the Board but has not yet been contracted for	35,100	26,708
	52,734	37,863

Phoenix expects to finance the above expenditure by:

Grant funding	10,406	10,270
Loan facilities	12,905	15,468
Other cash flows	29,423	12,125
	52,734	37,863

25 Cash Flow from Operating Activities

	Year ended 31 March 2016 £000	**Year ended 31 March 2015 £000**
Surplus for the year	9,524	6,784
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,505	3,211
Impairment of tangible fixed assets	221	-
Amortisation of intangible assets	449	288
increase in stock	(85)	-
Decrease in trade and other debtors	348	889
(Decrease)/increase in trade and other creditors	(835)	529
Increase in fair value of investment properties	(63)	(26)
Pension costs less contributions payable	371	178
Amortisation of grant	(11)	(10)
Net cash flow from operating activities	13,424	11,843

26 Operating Leases

At 31 March 2016 the Group had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as lessee Group and Association	**2016 Land and Buildings £000**	**2016 Other £000**	**2015 Land and Buildings £000**	**2015 Other £000**
Operating leases which expire:				
Within one year	-	175	-	175
In one to five years	-	275	-	450
Later than five years	-	-	-	-
	-	450	-	625

Amounts receivable as Lessor Group and Association	**2016 Land and Buildings £000**	**2016 Other £000**	**2015 Land and Buildings £000**	**2015 Other £000**
Operating leases which expire:				
Within one year	-	100	-	100
In one to five years	-	88	-	188
Later than five years	-	-	-	-
	-	188	-	288

27 Units Owned or Under Management

Group and Association	**2016 Number**	**2015 Number**
Units for rent at 1 April		
General needs housing accommodation	5,388	5,427
Less freehold sales	(13)	(21)
Less leasehold sales	(6)	(18)
Units for rent at 31 March	5,369	5,388
All general needs properties are social housing		
Leaseholders	849	842
Unit for market rent at 31 March	1	1

27 Units Owned or Under Management (continued)

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 103 Phoenix tenants (2015: 252) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £5.50 (2015: £5.04). Tenants receiving housing benefit are funded by Supporting People Grant which is paid directly to Linkline. For tenants not on housing benefit, Phoenix collects the charge on behalf of Linkline as part of the weekly charge. Phoenix has inherited from the Council a commitment to fund units in certain blocks designated for use by the elderly but occupied by other client groups due to low demand for this type of property.

28 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 2013 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 2016 were as follows:

	2016	**2015**
	% pa	**% pa**
Pension increases	2.2%	2.4%
Salary increases	3.7%	3.8%
Discount rate	3.5%	3.2%

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	21.7 years	24.0 years
Future Pensioners	24.4 years	26.7 years

Historic Mortality

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

	Prospective Pensioners	**Pensioners**
31 March 2015	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%

28 Pensions (continued)

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

Amounts recognised in the Statement of Comprehensive Income	**2016**	**2015**
	£000	**£000**
Current service cost	614	569
Net interest cost	96	54
Total	710	623
Recognised in other comprehensive income	(2,251)	1,493
Deferred tax charge/(credit) on actuarial (gain)/loss	94	(67)
	(2,157)	1,426
Total (gain)/costs relating to defined benefit scheme	**(1,447)**	**2,049**

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

	2016	**2015**
	£000	**£000**
Present value of defined benefit obligations	(23,930)	(25,598)
Fair value of scheme assets	23,044	22,825
Deficit	(886)	(2,773)
Deferred tax asset	64	159
Net pension scheme liability	**(822)**	**(2,614)**

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

Reconciliation of defined benefit obligation	**2016**	**2015**
	£000	**£000**
Opening Defined Benefit Obligation	**25,598**	**20,413**
Current service cost	614	569
Interest cost	834	888
Contribution by members	115	137
Actuarial gains and losses	(2,967)	3,797
Past service cost	-	-
Losses on curtailment and settlements	-	-
Benefits paid	(264)	(206)
Closing Defined Benefit Obligation	**23,930**	**25,598**

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

Reconciliation of fair value of employer assets	**2016**	**2015**
	£000	**£000**
Opening Fair Value of Employer Assets	**22,825**	**19,363**
Return on plan assets	738	913
Contributions by members	115	137
Contributions by the employer	346	389
Actuarial gains and losses	(716)	2,229
Benefits paid	(264)	(206)

Closing Fair Value of Employer Assets	**23,044**	**22,825**

28 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.

	2016 Assets £000	**2015 Assets £000**
Equities	15,439	16,207
Bonds	4,378	4,336
Property	2,074	1,826
Cash	1,153	456
Total	**23,044**	**22,825**

The contribution rate of Phoenix for the year ended 31 March 2016 was 20.4% (2015: 20.4%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2015: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2017 are estimated to be £339,000.

(b) London Borough of Lewisham Pension Scheme – Association

The information disclosed above relates to the Group's participation in the London Borough of Lewisham pension scheme. The information relating to the Association's participation in the scheme has not been separately disclosed on the grounds of materiality.

(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.

28 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

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 2016**	**31 March 2015**
	£000	**£000**
Present value of provision	144	46

Reconciliation of opening and closing provisions	**Year ended**	**Year Ended**
	31 March 2016	**31 March 2015**
	£000	**£000**
Provision at 1 April	46	46
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(4)	(4)
Remeasurements - impact of any change in assumptions	(1)	3
Remeasurements - amendments to the contribution schedule	102	-
Provision at 31 March	144	46

28 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

Income and expenditure impact	**Year ended 31 March 2016 £000**	**Year Ended 31 March 2015 £000**
Interest expense	1	1
Remeasurements - impact of any change in assumptions	(1)	3
Remeasurements - amendments to the contribution schedule	102	-

Assumptions	**31 March 2016**	**31 March 2015**
Rate of discount	2.06%	1.92%

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.

29 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 2016, 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:

	2016 £	**2015 £**
Rent and service charges charged	49,590	40,666
Credit balances at the end of the period	(3,180)	(4,016)
Doubtful debt provision	Nil	Nil

No other transactions took place with the tenant Board members.

29 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 £28,734 (2015: £18,225).

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 £3,878,000, including the Local Authority's share of the VAT shelter and Preserved Right to Buy (£3,373,000) and a payment in respect of a S106 agreement (£249,000). The total amount due to the Local Authority at 31 March 2016 was £2,039,000 (2015: £3,141,000).

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 as follows:

	2016	**2015**
	£000	**£000**
Amounts charged to Phoenix Community Housing for repair services	5,404	2,343
Recharge to Phoenix Agency Services for corporate services	488	197

The amounts outstanding at the year end are set out in notes 17 and 19. The charge for corporate services is based on the total cost of corporate services apportioned by turnover, number of staff and the number of IT users.

The charge for repairs and maintenance is based on the National Housing Federation's Schedule of Rates (version 6) plus an uplift.

There are no other related party transactions requiring disclosure.

30 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.

31 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 2016 were:

	2016	**2015**
	£000	**£000**
Net assets/(liabilities) at 31 March	11	(258)
Loss after tax for the period ended 31 March	(105)	(33)

32 Transition to FRS 102 Prior Year Adjustment

The Association has adopted FRS 102 and SORP 2014 for the year ended 31 March 2016 and has reflected their requirements in the comparative prior year amounts.

The adoption of the standard and the SORP has significantly affected the financial position of the Group, and gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenditure is changed in the following respect:

Consolidated statement of financial position	**Note**	**2015**	**2014**
Group		**£000**	**£000**
Reserves as at 31 March 2015 as previously stated		33,871	30,152
Adoption of fair value as deemed cost - opening adjustment	a, b	84,917	84,917
Increase in depreciation	a	(268)	-
Increase in cost released on disposals	a	(494)	-
Investment properties - opening adjustment	c	28	28
Reverse the depreciation previously charged on property recategorised as investment property	c	17	-
Revaluation	c	26	-
Short-term employee benefits	d	(65)	-
Post-employment employee benefits	e	(46)	(46)
Leaseholder agreements to pay	g	(122)	(91)
Amortisation of government grant	b	10	-
Total adjustments		84,003	84,808
Reserves as at 31 March 2015 under FRS 102		117,874	114,960

32 Transition to FRS 102 Prior Year Adjustment (continued)

Consolidated surplus for the year ended 31 March 2015 **Group**	**Note**	**£000**
Surplus for the financial year as previously stated		5,439
Adoption of fair value as deemed cost	a	-
Increase in depreciation	a	(268)
Increase in cost released on disposals	a	(494)
Amortisation of grant	b	10
Investment properties	c	-
Reverse the depreciation previously charged on property recategorised as investment property	c	17
Revaluation	c	26
Short-term employee benefits	d	(65)
Post-employment employee benefits	e,f	(294)
Leaseholder agreements to pay	g	(31)
Total adjustments		(1,099)
Surplus for the financial year under FRS 102		4,340

Statement of financial position **Association**	**Note**	**2015** **£000**	**2014** **£000**
Reserves as at 31 March 2015 as previously stated		34,135	30,105
Adoption of fair value as deemed cost - opening adjustment	a, b	84,917	84,917
Increase in depreciation	a	(268)	-
Increase in cost released on disposals	a	(494)	-
Investment properties - opening adjustment	c	28	28
Reverse the depreciation previously charged on property recategorised as investment property	c	17	-
Revaluation	c	26	-
Short-term employee benefits	d	(52)	-
Post-employment employee benefits	e	(46)	(46)
Leaseholder agreements to pay	g	(122)	(91)
Amortisation of government grant	b	10	-
Total adjustments		84,016	84,808
Reserves as at 31 March 2015 under FRS 102		118,151	114,913

32 Transition to FRS 102 Prior Year Adjustment (continued)

Surplus for the year ended 31 March 2015 Association	**Note**	**£000**
Surplus for the financial year as previously stated		5,473
Adoption of fair value as deemed cost	a	-
Increase in depreciation	a	(268)
Increase in cost released on disposals	a	(494)
Amortisation of grant	b	10
Investment properties	c	-
Reverse the depreciation previously charged on property recategorised as investment property	c	17
Revaluation	c	26
Short-term employee benefits	d	(52)
Post-employment employee benefits	e,f	(243)
Leaseholder agreements to pay	g	(31)
Total adjustments		(1,035)
Surplus for the financial year under FRS 102		4,438

Explanation of changes to previously reported surpluses and reserves

(a) Deemed cost

Section 35 of FRS 102 allows first-time adopters to elect to measure items of property plant and equipment at their fair value at the date of transition and use that fair value as deemed cost at that date. Adoption of the deemed cost option for completed freehold housing properties has resulted in a net increase in fixed assets at 1 April 2014 of £84.9 million. This includes the transfer of £35.0 million of grant to income under the performance model and £49.9 million of revaluation gains credited to the revaluation reserve. Consequently, depreciation for the year ended 31 March 2015 has increased by £268,000 and cost of sales for the year ended 31 March 2015 has increased by £494,000.

(b) Government grant

Government grant can no longer be offset against housing property within property, plant and equipment and, where properties are held at deemed cost, the related grant is recognised initially under the performance model with subsequent grants measured using the 'accrual model' and the grant amortised over the life of the structure and components of the property. The effect on the 1 April 2014 Statement of Financial Position is the transfer of £283,000 to long term creditors and, as noted above, £35.0 million of grant relating to assets where the deemed cost option has been applied transferred to income. In the year ended 31 March 2015 £10,000 of grant moved to creditors under the accrual model has been credited to income. Movements in the long term creditor grants during 2014/15 are shown in note 21.

(c) Investment properties
Revaluations of investment properties are recognised in the Statement of Comprehensive Income rather than directly to reserves and investment properties are not depreciated. This has resulted in the Group recognising a revaluation gain of £28,000 on transition to FRS 102. In the year to 31 March 2015 an additional gain was recognised of £26,000 and depreciation reversed of £17,000, giving rise to an asset value of £339,000.

(d) Holiday pay accrual
FRS 102 requires short term employee benefits to be charged to the Statement of Comprehensive Income as the employee service is received. Previously holiday pay accruals were not recognised and were charged to the income and expenditure account as they were paid. In the year to 31 March 2015 an additional charge of £65,000 was recognised in the Statement of Comprehensive Income and the liability at 31 March 2015 was £65,000.

(e) Multi employer defined benefit pension scheme
Under previous UK GAAP the Social Housing Pension Scheme, a multi employer defined benefit pension scheme of which Phoenix is a member, was accounted for by the Group as a defined contribution scheme. Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement the Group now 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 unwinding of the discount rate is recognised as a finance cost. This adjustment has resulted in a decrease to opening reserves of £46,000 at 1 April 2014. In the year to 31 March 2015 an additional charge of £nil was recognised in the Statement of Comprehensive Income and the liability at 31 March 2015 was £46,000.

(f) Defined benefit pension scheme
Under previous UK GAAP the Group recognised an expected return on defined benefit scheme assets in the income and expenditure account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in surplus or deficit in the Statement of Comprehensive Income. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to reduce the credit to the surplus for the year to 31 March 2015 by £294,000 and increase the credit in other comprehensive income by an equivalent amount.

(g) Leaseholder agreements to pay
Amounts due from leaseholders which are subject to a repayment agreement are considered to be arrangements constituting a financing transaction and are measured at the present value of the future payments discounted at a market rate of interest. This has resulted in the Group recognising a reduction in debtors of £91,000 on transition to FRS 102. In the year to 31 March 2015, an additional charge of £31,000 was recognised in the Statement of Comprehensive Income and the deduction from debtors at 31 March 2015 was £122,000.

In addition to the transition adjustments identified above which affect the surplus for the financial year, the following adjustments have arisen which have had no effect on net reserves or Statement of Comprehensive Income but which have affected the presentation of these items on the Statement of Financial Position. The main items are:

Computer software, with a net book value of £868,000 at 31 March 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Group's net assets or on the surplus for the year, except that the previous depreciation charge in now described as amortisation.

Statement of cash flows
The Group's statement of cash flows reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the statement of cash flows reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'.

Statement of total recognised surpluses and deficits
In accordance with the new standard the Group does not present a 'Statement of total recognised surpluses and deficits' as was presented in the 2015 financial statements as items that previously appeared in that statement are now included in total comprehensive income. Further, a 'Statement of changes in reserves' is presented.