Phoenix House
(Trading as Phoenix Futures)

Report and financial statements
for the year ended

31 March 2017

Company's Registered Number 1626869

Office of the Scottish Charity Regulator Registered Number SC039008

PHOENIX HOUSE

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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DIRECTORS AND ADVISERS

DIRECTORS	Professor Annie Bartlett (appointed 23 Nov 2016) Mrs Dorothy Brown Mr James Cook Dr Karim Dar Dr Susan Kinnaird (Chair - appointed 23 Nov 2016) Ms Susan Ellenby Mr Mike Ewart Mr Mark Haysom (Chair – resigned 23 Nov 2016) Ms Anne Hooper Ms Gill Saunders Ms Emanuele Labovitch Mr Iain McGourty Mr Gordon Statham Ms Sarah Thewlis (Vice-Chair)
SENIOR MANAGEMENT	Mr James Armstrong (Director of Marketing & Innovation) Ms Karen Biggs (Chief Executive) Ms Adele Duncan (Director of Operations - resigned 22 May 2017) Mr George Lambis (Director of Finance) Mr Anthony Pearson (Director of Human Resources and L&D)
SECRETARY	Mr George Lambis
REGISTERED OFFICE	Phoenix House 68 Newington Causeway London SE1 6DF
BANKERS	National Westminster Bank plc 216 Bishopsgate London EC2M 4QB Barclays Bank plc Level 27, 1 Churchill Place London E14 5HP
AUDITOR	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
REGISTERED CHARITY NUMBER	284880
COMPANY NUMBER	1626869
OFFICE OF THE SCOTTISH CHARITY REGULATOR REGISTERED NUMBER	SC039008
HOMES AND COMMUNITIES AGENCY REGISTERED NUMBER	H 3795

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KEY HIGHLIGHTS

We are passionate about recovery

- During 2016/17 we supported 19,367 people on their recovery journey plus many more families and carers

- We shared our passion for recovery with over 370 volunteers

- Our staff engagement survey tells us that our staff feel highly engaged with the organisation, our purpose and values

We value our history and use it to inform our future

- Our Confident about Recovery strategy will enable us to reconnect with our charitable purpose and we work towards creating a society that enables all individuals, families and communities to recover from drug and alcohol problems

- We continue to develop our fundraising approach by developing opportunities for grant funding and corporate support

- We have developed a number of projects with the objective of identifying and reducing stigma around addiction in order to improve access to treatment and the resources people need to support long term recovery

We believe in being the best

- We have reviewed all of our core models of treatment and support to ensure they are aligned to our confident about recovery strategy that aims to provide services that help create long term recovery

- Phoenix have been recognised as the 36th best company to work for in the Sunday Times best 100 not-for-profit organisations

- All Phoenix led community programmes are in the top quartile for successful completions

- 78% of service users completed treatment at our family service

- We have been recognised as a 5 star provider under the European Foundation for Quality Management (EFQM)

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OVERVIEW

Confident about Recovery

More people are dying of drug related issues, the highest on record across the UK. More people are accessing services without a home. It has become harder to access funding, meaning some people don't get access to the treatment they need or they don't get it for long enough. What's more, as funders are forced to make difficult decisions about what they can fund, people in addiction and those struggling to maintain their recovery are at greater risk from stigma.

Throughout 2016/17, in consultation with the people who use our services, our volunteers, funders and staff we created our 'Confident about Recovery strategy'.

As a charity we have seen much change over the last 50 years. We know there is less money being spent on our services and other vital local services in recent years. There are also an increasing number of people finding themselves in the most desperate of circumstances.

Despite these challenges we remain confident about recovery and our ability to support individuals, families and communities to make positive change. We have redesigned our services, programmes and interventions to ensure we enable people to build the recovery capital they need to be confident of a long term recovery that offers a sense of purpose, a fulfilling family and social life and a stable home. We call these our Confident about Recovery Services. To meet that aim we will also be growing the provision of our vital recovery housing across the country and updating and re-launching an innovative employability programme across all services.

Whilst effective and accessible treatment services are vital, treatment alone is not enough; we also need to ensure that barriers to recovery such as unhelpful stigma and policy are reduced or eliminated and that supporters of recovery come together to share their views and experiences to benefit society. We will therefore be talking more confidently about drug and alcohol problems and the challenges of life in recovery.

It is important to have a voice. We hope it will help us find other people who share our values and wish to collaborate to make change. We also know that a fear of speaking up won't address the stigma that reduces the quality of life of the people we support, hurts their families and divides communities.

It's time for us as a charity, and all of us working towards a more recovery-friendly society, to have the confidence to speak up.

Phoenix Innovates

During 2016/17 we began a new wave of innovation leading to the creation of our Confident about Recovery service models. Led by our Operations and Business Development Manager and with input from commissioners, service users and stakeholders we have reviewed and updated all of our core treatment and support models. This ensures that we are considering emerging needs, changes in policy and funding, the latest tools and technology and the latest evidence around what works.

This was our third wave of structured innovation in recent years. To be innovative we need to be flexible in our thinking, influenced by evidence and best practice and supportive of each other to try new things. However innovation also needs a structured process and those processes also need to be a good fit for the times. Over the last few years we've been successful in innovating through both competitive and collaborative processes.

In 2012 we launched the Innovation Factor, which was a national competition open to all staff. It was won by the Phoenix Forest, an initiative that has seen us plant over 6,000 trees. It also created the Voyage of Recovery that saw us sail around Britain and continues as shorter annual therapeutic voyages. Both initiative are going strong in 2016/17.

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OVERVIEW (continued)

Phoenix Innovates (continued)

Whilst the Innovation Factor was a great success its competitive nature tended to favour the bigger ideas and many creative smaller ideas didn't get the attention they deserved. So we decided to take a different more collaborative approach and created the Fit team (Fundraising and Innovation team). Over 18 months a group of staff from across the organisation met to identify and develop new projects such as Cycle for Change, Reins to Recovery, Fit2Play and many more. This led to us better defining our offer of therapeutic activities and we added Recovery through Sport and the Arts to Recovery through Nature. In turn, this inspired our current Recovery Culture activity in Scotland launched in 2016, a host of sport, nature and arts activities run by Phoenix and in collaboration with many other voluntary sector organisations.

Creativity, innovation and problem solving are all rooted in our values. As well as a passion for recovery, our history as a cutting edge originator tells us we are adaptable and resilient.

Staff Development, Health and Wellbeing

Staff are our most valuable asset. We are committed to investing in their development and wellbeing, a fact recognised by the achievement of IIP Gold in 2015 and 36th place in the Sunday Times Best Companies Top 100 Not-for-Profit Employers in 2017.

We continue recognise our staff achievement through an annual New Year's Honours ceremony and a staff graduation day for those achieving qualifications. Over the last 5 years we have increased the number of annual nominations from around 75 to over 250 per annum.

We have streamlined our staff appraisal process and broadened its scope to include a focus on health and wellbeing and future aspirations. In 2016 we launched a range of staff health and wellbeing initiatives: The 5 Ways to Wellbeing. Staff took part in activities that encouraged them to consider how they can Connect, Be Active, Take Notice, Keep Learning and Give. In 2017 health and wellbeing discussions were embedded into regular supervision and team meetings so that work/life balance is a feature of working for Phoenix. In 2017 we also held a national health and wellbeing awareness day and our annual 12 days of Christmas wellbeing campaign.

OVERVIEW (continued)

The Board would like to thank the following funders for supporting out work

Big Lottery Fund
Bellahouston Bequest Fund
Children in Need
City Bridge Trust
The Hugh Fraser Foundation
Miss Agnes H Hunter's Trust
Masonic Charitable Foundation
29th May 1961 Charitable Trust
Pilkington Charities Fund
Public Health England
Robertson Trust
Shaw Lands Trust
Stavros Niarchos Foundation
The Sheffield Church Burgesses Trust
Souter Charitable Trust
Garfield Weston Foundation
Comic Relief

The Group fundraises though community fundraising, voluntary grants and corporate support in a way which protects its reputation and encourages public trust and confidence in the Group's fundraising activities. This includes following the law and recognised standards, protecting the Group from undue risk, and showing respect for donors, supporters and the public.

The Group does not engage commercial participators to perform fundraising activities. Where fundraising activities are carried out the Group monitors these activities via the Director of Marketing & Development. The Group does not carry out any intrusive or persistent activities neither does it exercise any pressure on the public to donate. There were no complaints relating to the Group's fundraising activities.

PHOENIX HOUSE

STRATEGIC REPORT

The Directors present their Strategic Report for Phoenix House ("the Charity" or "Phoenix Futures") and its subsidiary companies (together "the Group") for the year ended 31 March 2017.

Principal activities

The principal activity of the Group is the provision of services for the rehabilitation of problematic substance misusers. The Group is now one of the most diverse service providers in the substance misuse sector.

The Charity is a registered charity and a registered provider of social housing.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out in the Directors' Report on page 25.

Business Review

Confident about Recovery

Phoenix is confident about recovery. Whilst there are serious challenges in the external environment we will continue to deliver hope in a context of uncertainty. We will use our expertise and agility to deliver programmes that build recovery capital in individuals and communities. These challenges include:

- Increase in Drug-Related Deaths
- Increasing homelessness amongst those seeking treatment (29% of opiate clients had a severe housing need on accessing treatment in the twelve months ended March 2016)
- Ageing cohort of drug users that are presenting demands on generic health and social care services
- Crisis in prisons caused by the use of Spice and other NPS

We know it's hard to achieve confidence in recovery but we will use our individual and organisational resilience to help whoever wants to try.

Achievements from the last year

As well as providing direct support and treatment we have made a difference in many other areas:

Schools Education - We delivered drug & alcohol awareness education to 5,831 pupils and 320 teaching professionals across nearly 80 schools in London between September 2014 and March 2017. Of these students 97% stated they knew more about drugs and alcohol after attending, 95% agreed that the way the information was presented would make them remember it more than a usual school lesson and 77% said they would make changes to their drug and/or alcohol behaviour as a direct result of participating in the session.

Volunteering – Through our therapeutic conservation programme, Recovery through Nature, our service users have improved outside spaces and made our communities better places to live.

Raising awareness – The Recovery Street Film Festival has facilitated the voices of many people affected directly or indirectly by addiction and associated issues and harms, showing real stories and experiences. The festival has screened over 40 films on the streets of cities including Glasgow, Liverpool, Sheffield, London, Birmingham, Cardiff, on TV (community channel), in the Houses of Commons and Lords, at conferences, community services, cafes, schools, universities and on-line. Films have been viewed by thousands of people at screening events and online.

Sharing best practice across Europe – we present our research and best practice learning at the European Federation of Therapeutic Communities (EFTC) conference. Our school's educating project CEDA also recently took the service's learning points over to Athens. As part of ECETT the European best practice sharing network we hosted two successful visits from France and Greece.

Helping other organisations, investment in systems and innovation

- Over recent years, we have helped a number of organisations face the challenges of the commissioning environment. We welcome opportunities to develop mutually beneficial relationships with similar organisations in the future

- We have funded research and investment in systems which enable us to search for ever more effective treatment

- We have developed an innovative culture. All staff who join Phoenix take part in an innovation exercise during induction that supports the creation of a culture that values innovation

Responsive person-focused services

In the last year, we have developed the following services:

- CEDA, a drug and alcohol schools awareness programme working across North London

- Futures in Mind, an innovative community partnership in Essex with Mind

- The Full Circle, Essex offenders with complex needs (OCAN) community service

- Peer mentoring Service funded by the Big Lottery in Glasgow

We know that effective partnerships are the key to delivering effective and responsive local treatment systems

We work in partnerships to deliver the following services:

- In Derbyshire we deliver the Derby County treatment system with Derbyshire NHS Trust

- In Derby City we deliver services in partnership with Derbyshire NHS Trust

- In Central Lancashire we deliver the treatment systems with GMW

- In Lambeth we work as part of the Lambeth Consortium with partners such as South London and Maudsley NHS Foundation Trust

- In Essex we work with Mind and Essex Partnership University NHS Partnership Trust

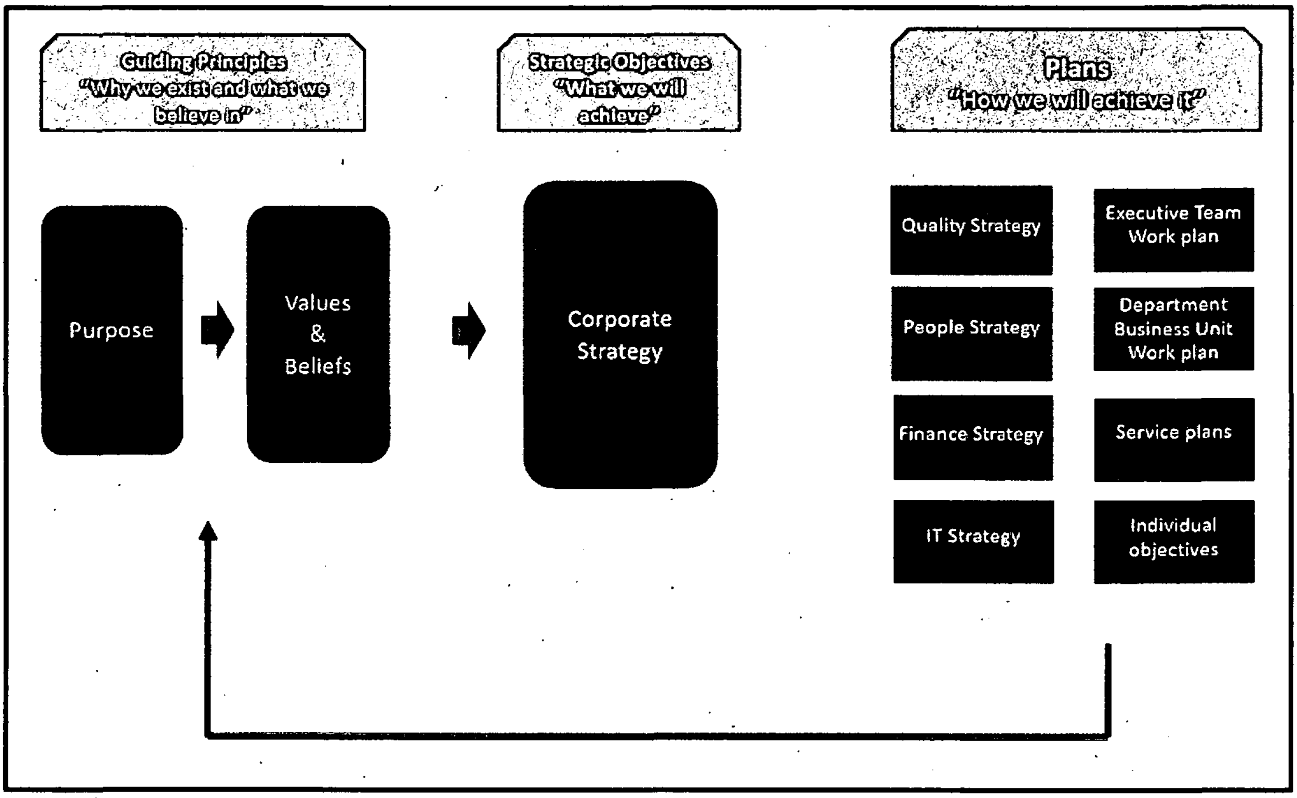
- We welcome the support from Trust and Foundations such as Big Lottery and Children in Need

- Recovery through Nature is delivered in partnership with a range of conservation partners including the Forestry Commission, Woodland Trust and National Trust

- The Recovery Street Film Festival is produced with drug and alcohol charities Action on Addiction, Blenheim CDP, CGL and Turning Point

Purpose, values & beliefs and strategic themes

We have been able to do all of this because of the skills, dedication and expertise of our staff, volunteers and service users. Our strategy aligns to our guiding principles with three clearly defined strategic themes in order to enable all staff to have a clear view of how they help meet the purpose of the organisation.



Guiding principles

Our purpose

Phoenix Futures is dedicated to helping individuals, families and communities recover from drug and alcohol problems.

Values and beliefs

- **We are passionate about recovery**

  Our relentless optimism and energy for overcoming dependency motivates those we help to realise their own recovery. Families, friends and carers need hope, care and guidance just as much as their loved ones

- **We value our history and use it to inform our future**

  We believe you can only really know who you are if you understand and respect where you have come from. We have learned much as an organisation over the last 45 years and use that wealth of knowledge to create a bright and brilliant new future for those in need of hope today

- **We believe in being the best**

  We constantly strive to learn and innovate, to challenge ourselves, to adapt and to work together with others who can bring valuable expertise. Striving to be the best doesn't mean wanting to be the biggest, it means giving the very best of ourselves to achieve our purpose

Our strategic themes are

Our expertise

We are experts in recovery. We derive our expertise from our history, our staff and our service users.

Our passion

We are passionate about recovery and enable people to reach their full potential and pursue their dreams.

Our strength

We are financially viable. We will use our viability to invest in innovation, the development of our services and protect our long term future.

We'll touch on our values and strategic themes in more detail throughout this report.

Public benefit statement

The public benefit we create can be defined by a) who we provide for b) how we provide for them and c) what we provide. In this section, we explore how we ensure that people affected directly or indirectly by substance misuse are helped by Phoenix Futures towards achieving the kind of future they desire.

a) Who we provide for

The Charity helped the following number of people last year in their journey to recovery from drug and alcohol issues:

- 962 (2015/16: 1,152) in Residential services
- 8,805 (2015/16: 12,632) in Community services
- 9,600 (2015/16: 9,867) in prisons

Our service users live complex lives as our Footprints research highlighted:

- Homes - 21% of service users reported as being homeless or in temporary homeless accommodation compared to 0.004% UK wide;

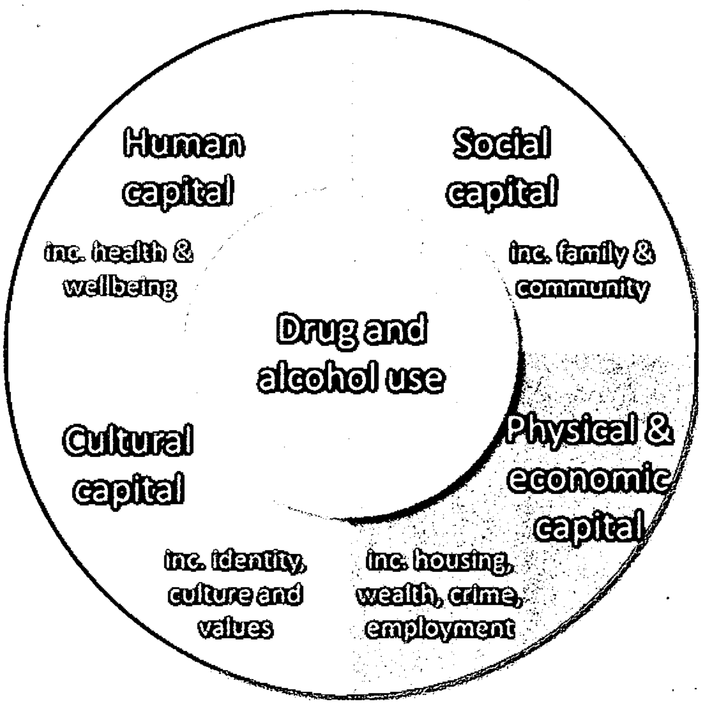
- Employment - 6% of service users were in full-time employment, compared to the UK average of 55%;

- Health - 30% of service users had a drug or alcohol related A&E visit in the last 12 months; and

- History of care - 25% of service users have been in care compared to 1% UK wide. 36% of service users in Prison Therapeutic Communities (TCs) were previously in care.

We also know that addiction affects all communities of UK society, but not every area equally. We have used Experian's detailed MOSAIC tool to do postcode profiling, and have found that the risk of addiction is significantly higher in some communities (and even streets) than others. Success in treatment also varied depending on postcode.

We found that if someone was in MOSAIC Group K, they were 2.5 times more likely to access our services, and have completion rates which are over 40% lower than our most successful segment. It is not so much financial wealth or poverty which makes the difference in success, but the amount of "recovery capital" available in a community – as the Second Report of the Association of Clinical Data Management (ACDM) Recovery Committee suggested in November 2013.



a) Who we provide for (continued)

Our research has also looked at some key issues around successful treatment, such as how even incomplete residential treatment may actually still produce change. In our research, which we are submitting for publication, we found that 58% of "drop outs" from our residential services were abstinent from illicit or substitute drugs when followed up within 9 months, compared to 8% upon entry. 78% of the sample reported better psychological health than on entry, and 85% were receiving either treatment or recovery support interventions.

Combined together with our staff and service users' insight, knowledge like this helps direct our resources to where they can make the biggest impact.

b) How we provide our services

A focus on confidence

We are experts in recovery and we derive our expertise from our unique history, our staff, volunteers and service users' skills and experience. Running through all of our service provision is a focus on using our expertise to help create confidence in recovery through the best possible quality experience for our service users.

Staff expertise

In practice this means our People strategy will focus on:

- Greater opportunities for professional training and development
- Achieving accreditation for quality leadership, management and people development
- Promoting recovery-orientated practice
- Providing further learning and employment opportunities for volunteers

Service user expertise

We continue to develop our approach to service user involvement. In addition to our local service user reps and service user council who meet regularly with local service managers to discuss improvements to the treatment experience, we have created a service user role within our Clinical Governance Committee. This ensures involvement is at all levels of the charity and services user expertise benefits all processes and policies.

Whilst our approach is multi-faceted, at its core it ensures that service users are in control of their own treatment and able to maximise the opportunities which recovery offers. Futures in Mind, our innovative partnership with Mind in Essex, has been created with and by Service Users and offers a model that moves past involvement to offer genuine co-production of support.

Voluntary expertise

We value the contribution volunteers make to the organisation. Our volunteer approach ensures voluntary resource is used to add to the service user experience and not instead of paid qualified staff who provide our core service delivery.

We understand that being a volunteer is a valuable experience for many and allows them to contribute their skills and experience to the communities in which they live. We also appreciate for some, volunteering offers the opportunity to develop new skills which may lead on to paid employment.

At Phoenix Futures last year we were supported by over 372 volunteers delivering over 50,000 hours to enhance our service delivery. We also encourage our service users to volunteer and contribute back to society. Whilst this is an important way for people in recovery to build recovery capital, it also allows them to make a meaningful contribution to their local communities.

For example our service users across the UK have volunteered as part of our Recovery through Nature projects, improving outside spaces and making our communities better places to live. We have trained 90 peer mentors/mentors in our Essex and 122 mentors in our Scotland services. Whilst in Trafford our work with Manchester Dogs' Home provided 48 days' of volunteering in 2016/17.

Volunteering and mentoring awards recognised one of the mentors with lived experience of addiction at our Communities of Recovery Glasgow service, awarded with the 'Commended Mentor of the Year' Award at the Scottish Mentoring Network Awards. Another mentor was awarded 'Volunteer of the Year' at the Glasgow University Student Awards 2017.

Partnership expertise

We know we can't achieve all we want to achieve on our own. We will continue to foster effective partnerships with large and small organisations that complement our core skills and grow our expertise. We will specifically look to organisations that:

- Specialise in local services linked to our Phoenix Plus model
- Deliver high quality clinical services
- Work with service users from groups which currently are excluded from treatment

c) What we provide

Confident About Recovery Services

Our services support service users to develop their recovery capital in a number of key areas. All our service models connect local and national community assets and partnerships to aid housing, employment and education, family support and community engagement; this approach has increasingly become the accepted standard within the sector.

With the Confident about Recovery approach we aim to create genuinely recovery-friendly communities in the areas in which we work. We aim to remove barriers and connect individuals and agencies with a common purpose in order to unlock the potential of the communities we work in. Our open and flexible approach means that we both lead and enthusiastically support others as we fulfil our purpose of helping individuals, families and communities' recovery from drug and alcohol problems, whilst at the same time helping others with a similarly positive purpose.

Confident about Recovery Community Services

The Charity delivers a diverse range of services providing information, advice and support for people with problematic drug and alcohol use in their own communities as follows:

- Community Recovery Services - where clients live off site but visit services on a daily basis for group work, psychosocial interventions and access to education and employment training

- Harm Reduction and Outreach – the Charity provides drop-in centres and outreach services and engages with drug users in order to provide practical help such as housing and benefits advice

- Floating Support - helping substance misusers who are in danger of losing their homes

- Recovery navigation or hub services – these services take responsibility for navigating the client through various treatment options which focus on recovery as opposed to treatment. These services focus on the whole person and ensure that help is obtained for housing and employment for example

- Innovative Peer mentor services in Glasgow and Essex

Recovery through Sport, Nature and the Arts

In addition to our long standing Recovery through Nature project, we have developed a diverse range of sport and arts activities. As well as being a means of making links in the local community, these types of activities are proven to improve retention in treatment. Our analysis shows that Recovery through Nature creates a 41% improvement in retention in treatment. In 2016 our Phoenix Scotland services came together to create 'Recovery Culture', an initiative that worked with a range of sports, arts and conservation organisations to celebrate and further develop a culture of active involvement in positive community activities that bring communities together to be more inclusive of people in need of support, whilst demonstrating the depth of skills and knowledge that people in recovery have to offer to others.

Prison and Young Offender Services

We work within 13 prison establishments providing our innovative programmes. Building Futures and Developing Futures are a highly responsive model focused around the holistic needs of the client.

Within HMP Wymott and Garth, we provide a drug-free Therapeutic Community with a pathway to our community based residential services. As the originators of the TC model in the UK we are keen to develop more prison based TCs.

We are particularly pleased to have developed new areas of provision for young people through our work in two units in Barton Moss YOI and Rainsbrook Secure Training Centre.

Residential Adult and Family Services

The Charity is the foremost provider of residential rehabilitation in the UK. It provides adult rehabilitation for men and women aged 18+ and family services for parents with children aged up to 11.

Like our community services our residential services support service users to develop their recovery capital whilst staying with us and ensure people leave us with a plan for the future.

Service users, with some of the most severe problems and complex needs, benefit from these services. The Charity's family services enable parents to address their drug and alcohol problems whilst retaining care of their children. The Charity provides an intensive rehabilitation programme for single mothers and fathers, couples and pregnant women.

Residential services also include supported housing services where clients live independently in flats or rooms with communal areas and receive support to remain drug and alcohol free.

Specialist recovery housing

Local Authorities spend approx £800m a year on drug and alcohol treatment and around £500m a year on reducing homelessness. And yet a quarter of people in drug treatment are still homeless or in unstable accommodation, hindering their chances of recovery. And more people struggle to access treatment due to lack of accommodation. Closing this gap between substance misuse treatment and homelessness benefits everyone in our communities. As both a homelessness provider and substance misuse charity we have unique insight into both the problem and the solution.

Over 9,000 people per annum access treatment with an acute housing problem, hindering their progress towards a healthy life. This costs society money in substance misuse treatment that is less effective, or inaccessible, and a wide range of costs associated to homelessness and poor health.

People in recovery face a wide range of issues when accessing housing:

- There is a national housing shortage
- Private landlords and housing associations are reluctant to let their properties to people with complex histories failing to recognise the gains made in treatment
- Getting a deposit together can be impossible for some people
- Managing a tenancy is a challenge without support
- Hostels do not provide an appropriate environment for people in recovery
- People need a local connection to get housing support from their local authority - people in recovery often distance themselves from high risk situations and triggers from the past to start a fresh life

There is a particular problem finding appropriate accommodation for people with complex histories, for whom a history of unemployment, poor health and discrimination are common and the route to housing is impossible to navigate.

Specialist recovery housing enhances people's potential and supports long term recovery. It exists already but only in very small numbers. Where it does exist it provides the mutually supportive environment and expert support people need to build their recovery. For people with complex needs it closes the gap between housing and the wider support they need to get better and re-integrate into the community. It works and it helps people progress in life to be healthier, find their place in the world and move onto stable accommodation of their own and contribute to society through supporting others, volunteering and employment. We've developed 4 different types of provision that work for people as their needs change over time.

Our recovery housing solution is more effective than generic housing because:

- We understand the tenants' treatment experience and what they need to develop their recovery in the long term
- We create and maintain an abstinent environment
- We assess and support tenants based on their strengths and future potential, valuing their journey to date
- Tenants benefit from mutual support from likeminded house mates with mutual experience, inspiration and goals

Specialist recovery housing (continued)

- Houses are located in areas that offer anonymity and access to recovery assets enabling clients to build recovery capital

- Expert staff support clients supported by a wider organisation with specialist expertise

Service development to meet emerging need

Over the next year we will further develop our Confident about Recovery service models including, but not exclusively:

- Criminal justice models that take account of emerging patterns of drug use and the prison reform agenda

- Residential and Recovery Housing models that provide support for homeless people who require stability to ensure their recovery

- Community models that enable the delivery of the community development 'Phoenix Plus' model in our communities

All models will feature innovative approaches to employment, education and training specifically for those with experience of addiction.

Integrated treatment pathways

Service users need connected services that support them at each stage of their recovery journey. Our services are able to provide support from first contact with us through outreach services to providing structured counselling, residential rehabilitation and resettlement.

The work delivered in prisons allows the delivery of effective treatment to people whilst they are serving their sentence but also allows for continuity of care and support as people end their sentences and move out into the community.

We are also uniquely positioned to be able to provide integrated treatment pathways between prison, community and residential services enabling service users to experience a consistency of support as they move through different treatment environments.

Quality at the heart of everything

Our Quality strategy sets out how we apply our expertise within a comprehensive quality management process, addressing such key quality issues including:

- Quality Management Systems
- Our Clinical Governance Framework
- Our approach to risk and risk management
- Safety arrangements
- Information governance framework
- Our performance information
- Our culture of excellence and customer care

Over recent years we have:

- Been recognised as one of the Sunday Times Best 100 Not-for-Profit Companies to work for
- Achieved 5 star Recognised for Excellence rating within the EFQM Model
- Been a safer organisation to be in, with range of staff qualified to NEBOSH General Certificate and IOSH Managing Safely levels
- Adopted the Outcomes Star as an extra tool for measuring outcomes
- Invested further in our Quality systems introducing the Illy system
- Made it easier for people to feed back to us their compliments, complaints, and satisfaction
- Through detailed internal audits, driven continuous improvement in our local services

Employment

The Charity sets out to recruit, develop and reward high quality employees and it provides equality of opportunity for all employees and job applicants regardless of gender, sexual orientation or marital status, race, colour, nationality or ethnic origin, disability, religion or age. It recognises and seeks to fulfil its obligations under the various statutory anti-discrimination regulations.

The Charity is fully committed to keeping all employees informed about their local operations, the business as a whole and their personal performance. Strong emphasis is placed on providing a safe and healthy working environment and training employees in safe working practices in accordance with the Charity's Health and Safety policy.

Our commitment to Equality & Diversity

At Phoenix Futures, we believe it is of the utmost importance that we foster a culture of inclusion and fairness where every member of staff is respected and valued, and where no sectors of society are disadvantaged in any way.

The way we work is not only governed by the legislation that outlaws discrimination and promotes equality and diversity, but also wholly encompasses the mission and core values of the Group. Phoenix Futures delivers services in a way that genuinely recognises the importance of an inclusive society, bringing opportunities and access for all individuals.

Our commitment to Equality & Diversity (continued)

We demonstrate and evidence our commitment to equality and diversity by:

1. Ensuring that our Equality and Diversity Policy is known to everyone we work with and to potential employees.
2. Providing training to support our policy.
3. Monitoring and reviewing our policy and practice, through our Equality & Diversity Working group.
4. Taking appropriate action against those who act in a way that contradicts or undermines our policy.
5. Actively working with partner agencies such as Jobcentre Plus, to demonstrate and communicate our commitment to diversity and enhance organisational and employee skills in managing diversity issues.
6. Using the information provided via the Diversity Monitoring Form, to assess how diverse our workforce is and to take action to increase diversity and inclusion where necessary, or to identify additional partner agencies to work with.

Phoenix awarded Best 100 Not-for-Profit Companies to work for

In 2017, and for the second consecutive year, we were recognised as one of the Best 100 Not for Profit Companies to work for. Our staff and Board were absolutely delighted by this achievement.

Over the course of the last Corporate Plan, we invested heavily in the development of our people and maintained a number of learning and development initiatives across the organisation. These include:

- Induction workbooks
- TUPE inductions
- Apprenticeships & trainee programmes
- Volunteer development programme
- Service user qualifications
- Virtual rehab days
- TC training
- E-learning
- Ecett – Study tours across Europe
- Leadership training delivered by the Chief Executive
- Certificate in Tackling Substance Misuse
- Revised NVQ programmes

Our talent management & Learning and Development strategy

We recognise that every member of staff contributes to the quality of our service, thus our approach to learning and development and talent management is an inclusive one which involves giving opportunities to all staff and which begins on day one of employment.

Key to our strategy is a clear specification of what we expect from our people and clarity on what individuals need to do to 'succeed' in their career with Phoenix Futures.

Phoenix Futures is a values-driven organisation: what we do is important but so too is how we do it. We have developed clear guidelines on the values and behaviours that underpin our expectations of excellence in recovery-orientated practice.

We believe that good leadership and respected role models are essential to organisational success. We further believe that leadership and role models come from all levels of the organisation, not just managers or long established staff.

In return for their passion and commitment, we offer all staff the opportunity for job enrichment, skills development and career enhancement.

Value for Money (Vfm)

The Charity manages resources in order to provide quality services and a high level of Value for Money, skilled staff and strategic procurement processes. The Charity's approach to innovation ensures that it seeks to derive maximum benefit from services it receives and maximum benefit within available resources.

The Charity's Vfm strategy is to achieve an optimal relationship between economy, efficiency and effectiveness where:

- Economy means achieving the best price for what goes into providing a service
- Efficiency means doing something well and eliminating waste to deliver the best service for the cost incurred
- Effectiveness is achieving objectives and improving customer satisfaction via outcomes

There is a clear form of ensuring, assessing and benchmarking both robust decision making and effective people and performance management aimed at delivering improved Vfm.

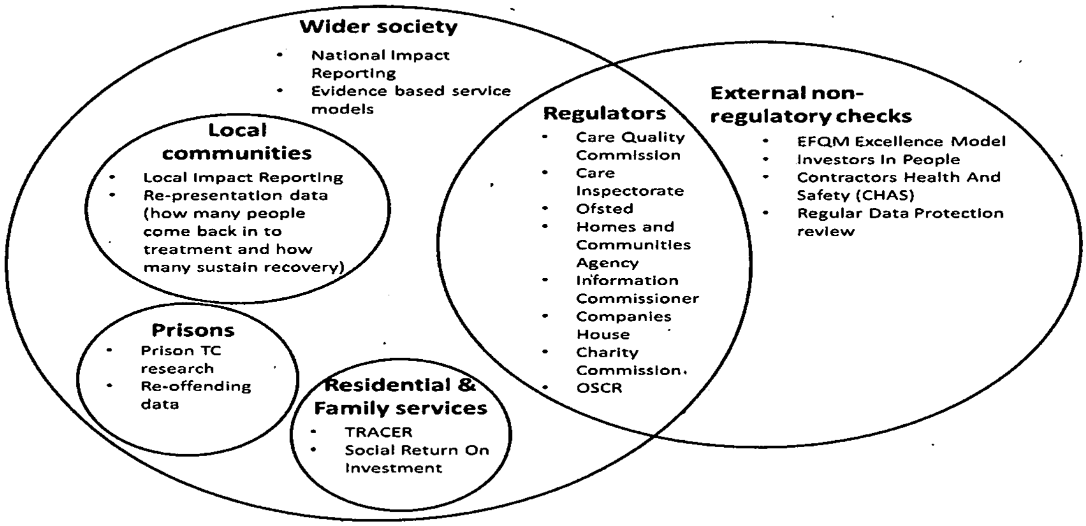
This is achieved through the adoption of the British Quality Foundation's EFQM Excellence model and the Investor In People (IIP) quality standard. Both models create a framework focused on excellent performance, enabling the Charity to offer the best possible outcomes for the investment it receives as an organisation. Both approaches are supported by multi-disciplinary project teams which ensure that the tools and techniques within each standard are applied on a day to day basis and regularly assessed in order to create an environment of continuous learning and improvement.

Economy is largely driven internally, through the pursuit of excellence and reduction of waste using the EFQM Excellence Model – a model we choose to use. Because the vast majority of services are tendered, and largely because residential services are contracted through spot contracts, the market tests economy. In a highly competitive market, the Charity is winning tenders and retaining existing business which demonstrates that commissioners view it as economical.

Effectiveness is driven by the regulators, who ensure that the Charity delivers market needs. The Charity's efficiency in delivering what is needed is demonstrated via accreditation to various national and international quality marks.

The diagram on page 21 summarises the operational approach to Vfm.

Value for Money (Vfm) (continued)



As far as the wider society is concerned, the Charity produces a national impact report each year. The aim is to integrate this with the annual accounts so that it integrates performance with income and expenditure.

Within the wider society, the Charity works in community, prison, and residential settings. On a general level it operates evidence-based service models, and employs a researcher in order to help it ensure that its models are evidence-based and therefore the most effective and efficient ways to operate.

In local communities it produces Local Impact Reports, tailored to the needs of the local area as expressed in their Joint Strategic Needs Assessments and as set out by Health and Wellbeing Boards and Police and Crime Commissioners. The Charity takes a long term view that its work prevents the continuance of costly interventions from the NHS, further health problems in older age and reduced crime rates. Thus it benefits the health and well-being of local communities.
It can measure effectiveness, amongst other means, through "re-presentation data" from the NDTMS / NATMS, where these national databases match up clients who have discharged from its services and which inform it what percentage have re-presented to treatment either in the local treatment system or in other localities.

In prisons it will research the long term effectiveness of its services, through seeking to partner with the Justice Data Lab to use calibrated re-offending data, and university research.

In residential and family services, it constitutes the largest single participant in the exciting national project, TRACER.

The Charity scrutinises operational performance internally, using Board and Executive Team Key Performance Indicators. This is aided by a dedicated Quality and Performance Department.
There are several regulatory bodies which examine the quality of the Charity's work externally on a national level.

The Group critically looked at properties held and made decisions to close loss making services and to sell those properties in order to reinvest funds into new housing initiatives which will support its housing strategy. In evaluating new housing initiatives the Group assesses strategic, operational and financial considerations before re-investment.

Phoenix Futures measures the Value for Money of its services through a set of key performance indicators which guide potential improvements. The key performance indicators of the Group are discussed in more detail below.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (Vfm) (continued)

Examples of metrics used include:

Measure	Success	Comments
Impact on Society		
Completion Rates (varied rates of completion is to be expected due to nature of service and complexity of client group)	Residential services completions •60% (14/15) •60% 15/16 •58% (16/17) Community service treatment completions •56% (14/15) •65% (15/16) •60% (16/17)	Despite funding reducing in the sector we are pleased that our robust strategy and staff engagement reflect in high performing services and strong service user outcomes as indicated in outcome evaluation and completion rates. This performance and our relationship management approach to residential referees has enabled us to diversity the number of local authorities that we provide for through our housing services. We plan to increase this diversification and strengthen service user outcomes further through the implementation of an updated quality and performance structure and strategy.
Volunteer Hours supported	• 110,528(14/15) • 136,448 (15/16) •50,000 (16/17)	We were disappointed to be unable to achieve continued funding for our B-Chilled community health champion model, this has seen a reduction in the voluntary hours we have been able to employ. However volunteers continue to offer valuable support to our service provision and we will continue to refine our approach in this area by seeking Investors in Volunteers status over the next year.
Number of people receiving support annually	• 24,821 (14/15) • 23,650 (15/16) • 19,367 (16/17)	Although the number of people we have supported directly has reduced over the last three years this is a reflection of our strategy to focus on a more even balance of service provision with increased focus of provision in sectors such as residential and housing and reduced presence in community treatment systems, we expect this reduction to level out over the next year as we balance the provision of services by sector.
Reduction in reoffending	• 32% (16/17)* • 15% (15/16)*	Satisfied with improvements made.
Improvement in mental health	• 77% (16/17)* • 40% (15/16)*	Satisfied with improvements made.
Meaningful use of time	• 59% (16/17)* • 36% (15/16)*	Satisfied with improvements made.
Service Users		
Service User Satisfaction	Score out of 5 • 4.5 (14/15) • 4.7 (15/16) • 4.8 (16/17)	Satisfied with improvements made.
Staff Measures		
Staff satisfaction	• IiP Gold and 47th best non for profit company in best companies to work for (15/16) • 36th best not for profit company in best companies to work for (16/17)	Satisfied with improvements made.

* Figures reported through TOPs (Treatment Outcome Profiles) and Outcome Star for service users engaged in residential services in 2016-17.

Value for Money (Vfm) (continued)

Measure	Success	Comments
Quality Measures		
EFQM	• EFQM 5 star (14/15) • EFQM 5 star (15/16) • EFQM 5 star (16/17)	We are pleased that the external assessment of our business model through the EFQM Excellence Model remain at a high standard, the model provides an holistic view of how the organisation's strategies fit together to provide a continuous learning and innovation that drives effectiveness, efficiency and economy of use of resources. We aim to improve our EFQM score by developing a balanced scorecard approach to performance management that will facilitate analysis of direction of travel across a balanced range of key strategic performance measures in a consistent format.
Environmental Impact		
Trees planted/co2 absorbed cumulative through Phoenix Forest. Single tree absorb co2 at rate of 48lbs	• 4,800 trees/230,400lbs (14/15) • 6,000 trees/288,000lbs (15/16) • 8,200 trees/393,600lbs (16/17)	Through our Phoenix Forest initiative whereby we plant a tree for every client who completes a structured programme we continue to work to offset our carbon footprint. We now have two sites and we will continue to develop new forests with our partner the woodland trust.
Financial Measures		
Income, surplus and free reserves	The Group monitors income and bottom line performance to ensure that adequate surpluses are made to sustain long term financial viability. The Reserves sets as a target a minimum level of free reserves of the equivalent of two months of months of annual expenditure. Free reserves were lower than the minimum required at the year end.	Year on year performance is reported in the accounts. The Board implemented plans that will ensure free reserves meet minimum requirements by 31st March 2018.

Approved by the Board of directors on 28th September 2017 and signed on behalf of the Board by

George Lambis
Company Secretary

DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements for the year ended 31 March 2017.

Results for the year

The Group generated a surplus of £47k (2016: deficit of £970k).

	2017 £'000	2016 £'000
Total income*	21,095	24,916
Total expenditure**	(20,825)	(24,366)
Surplus before disposals and pension deficit	270	550
Surplus on disposal of fixed assets	-	255
Surplus before pension deficit	270	805
Pension deficit	(223)	(1,775)
Surplus/(Deficit) for the year	47	(970)

* including interest receivable
** including interest and financing costs

The reduction in public spending in recent years, particularly in relation to substance misuse, has been significant. As a result, the Group has experienced a reduction in Prison and Community services contractual income on some of its existing contracts as commissioners reduced available funding. The Group has also experienced some churn in Community services contracts. As contracts continue to be tendered in very competitive conditions, the group made a strategic decision to reduce reliance on such contracts and focus on generating new sources of funding from other funding streams.

The reduction in public spending has also impacted funding of the Group's Registered Care services leading to the closure of its Hampshire and Long Yard services. These services generated a deficit of £660k during the year ended 31 March 2017. This deficit is included in calculating the surplus for the year of £47k.

The Group mitigated the loss of income and contribution to overheads by restructuring its infrastructure. It is also benefiting from the move of its Head Office to one of its properties thus making significant savings in property costs.

The Board is pleased to report that the Group generated a surplus of £270k before the pension deficit for the year ended 31 March 2017 (2016: surplus of £805k).

The Group implemented FRS 102 during the year ended 31 March 2016. The implementation had a material impact on the Group results for that year with the accounting of historic pension shortfalls affecting financial results for the first time. The pension related deficit for the year ended 31 March 2017 was £223k (2016: £1,775k).

The Group generated a bottom line surplus of £47k for the year ended 31 March 2017 (2016: deficit of £970k).

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Results for the year (continued)

Social Housing Pension scheme

The Group participates in the Social Housing Pension Scheme as disclosed in Note 25. The implementation of FRS 102 had an impact on Group reserves which have been reduced by future commitments relating to historic pension shortfalls as calculated by the scheme actuary. The amount recognised as a liability in the Statement of Financial Position at 31 March 2017 was £5.7m (2016: £6.1m).

The Group has sufficient reserves and cash to meet future commitments relating to historic pension shortfalls.

Principal risks and uncertainties

The Economic and Political Environment in England

The result of the Referendum on the UK's participation in the European Union and the subsequent Election created very significant political and economic uncertainty.

Austerity measures have reduced the provision of services for all. The sector has experienced a 30% reduction in funding in the last three years. The Group believes that the pressure on local authority budgets is very significant and cuts to substance misuse funding are inevitable as limited funds are diverted into statutory areas of significant risk and under-resourced in local government.

The Government launched the 2017 Drug strategy in July this year. The strategy provides much needed clarity for local authority commissioners and the sector about the importance of drug treatment. The new strategy seeks to build on the key recovery principles of the 2010 strategy whilst appreciating that specific interventions and approaches are required for people with more complex needs. There are measures in the strategy to monitor the effectiveness and reach of local commissioning approaches. The recognition of the important role housing plays in one's recovery journey is very welcome. The strategic priorities set out in the Charity's corporate plan align well with the government's priorities and provide a good foundation for the Charity to achieve its ambitions.

The Board and the Executive Team regularly review the risks to the organisation presented by the changing economic and political environment.

As a result of these robust review processes the Group:

- Agreed a new Corporate Strategy commencing April 2017; this sets the focus and vision for the organisation for the next 3 years. The Board is satisfied that the plans for the future allow the organisation to effectively deliver its purpose to its beneficiaries whilst protecting the Charity from undue risk

- Assessed and planned for a reduction in public spending particularly in relation to substance misuse and taken action accordingly through the course of the year including restructuring the management structure

- Considered the impact of the forthcoming supported housing review as the Government carries out a review of the funding framework for supported housing. The Group is involved in the consultation process. The aim is to ensure that the rights of people with substance misuse issues to access recovery orientated supported housing are protected. The new arrangements due to be implemented from April 2019 could be delayed due to the impact of the Election

- Carries out financial projections based on specific assumptions in order to evaluate whether rectifying action is required

Principal risks and uncertainties (continued)

The Economic and Political Environment in Scotland

Although political uncertainty and reductions in public expenditure are as significant as in England, the Board is pleased with the development of services in Scotland over the last year. The Charity is well placed to identify opportunities and develop local partnerships and relationships with key commissioners which will enable it to respond effectively to market conditions and build on the success of its Peer Mentor, Creative Recovery, structured group work programmes and Housing Support service models.

Future Prospects

The current drug and alcohol treatment system is experiencing significant reduced funding and changing need has resulted in a reduction in successful completions, an increase in drug-related deaths, increasing homelessness amongst those seeking treatment, ageing cohort of drug users that are presenting demands on generic health and social care services and a crisis in prisons caused by the use of Spice and other Psychoactive Substances (PS). As central and local governments face difficult decisions about how to spend limited resources, it is incumbent on charities to ensure that the rights of people in addiction and recovery are protected and the value of recovery orientated services are understood.

The Group is a financially robust value driven organisation with the expertise and passion to deliver the best services to people who need them, no matter how vulnerable they are. It has a proven track record of delivering recovery orientated services, organisational development approaches. Its quality frameworks demonstrate its ability to innovate and deliver excellence. The Board carries out regular reviews of the Group's financial results during the year and reviews financial viability via detailed budgets and re-forecasts which are prepared on the basis of prudent underlying assumptions in the context of a Risk Map and the current economic and political environment. The Board believes that, following the result of the referendum and in the context of further public sector cuts in expenditure, operating conditions will continue to be difficult but it expects that the Group will seize opportunities increasing its market share in specific sectors of business within a diminishing market.

In particular, the Group aims to focus on its Housing Strategy as it is the only Registered Provider with substance misuse expertise and the Board is confident that, despite political and economic uncertainty, the Group will continue to demonstrate strong financial performance.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in cashflow and price risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt and applying its procurement policy to purchasing. The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The Board has delegated the responsibility of monitoring financial risk management to the Audit & Control Committee. The policies set by the Board are implemented by the Group's finance department.

Cash flow risk

The Group has interest bearing assets. Interest bearing assets include only cash balances which earn interest at a fixed rate.

Price risk

The Group is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of the Group and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOVERNANCE

The Group has adopted a risk-based approach to internal controls which are embedded within the Group's normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The Group identified areas on which assurance is sought and matched these to sources of assurance. In order to monitor whether the sources of assurance identified adequately minimise or eliminate risk, a control procedure is operated on a predetermined frequency basis via three Committees set up by the Group Board; the Audit & Control Committee, the Clinical Governance Committee and the Remuneration and Nominations Committee. The Committees have different areas of internal control although some areas overlap.

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS

The Board undertook an assessment of the Charity's compliance with the governance and financial viability standard in July 2017. No areas of non-compliance were identified.

The Board has adopted the 2016 NHF Code on Governance. The following areas of non-compliance were identified:

Under the Code the Chair of the Board must not chair the Committee responsible for remuneration.

In order to instil greater efficiency to the Governance process the Remuneration Committee and the Nomination Committee were merged. The Chair of the Board, as Chair of the Nomination Committee, took over as Chair of the merged Nomination and Remuneration Committee. In order to mitigate any risk the Vice Chair of the Board is also a member of this Committee.

The arrangements for chairing Committees will be considered in the Governance review planned to begin in 2017.

Internal Control

The Board has overall responsibility for establishing and maintaining the system of internal control for the Group and for reviewing its effectiveness.

No system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Charity's assets and interests.

The Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Charity is exposed.

The Charity identified areas on which assurance is sought and matched these to sources of assurance. In order to monitor whether the sources of assurance identified adequately minimise or eliminate risk, a control procedure is operated on a predetermined frequency basis via three Committees set up by the Board; the Audit & Control Committee, the Clinical Governance Committee and the Remuneration and Nominations Committee. The Committees have different areas of internal control although some areas overlap.

The Chief Executive reports on the overall adequacy of these areas of internal control via six-monthly reports to the Audit & Control and the Clinical Governance Committees. The Chief Executive also reports on any particular risks identified during the period covered by the report, and action taken, which affect specific areas on which assurance is being sought. The Committees report their conclusions to the Board.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Risk management

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Charity's activities. This process is coordinated through a regular reporting framework by the Executive Team. The Executive Team regularly considers reports on significant risks facing the Charity and the Chief Executive is responsible for reporting to the Committees and the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes rigorous procedures for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees the governance document and staff handbook. These set out the Charity's policies with regard to the quality, integrity and ethics expected of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead. These are reviewed and approved by the Board. The Board also reviews reforecasts against budgets.

The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The internal control framework and the risk management process are subject to regular review by the Committees which are responsible for providing independent assurance to the Board via regular reports. The Committees consider internal control and risk regularly during the year.

Fraud prevention, detection and reporting

A financial policy and financial controls and procedures have been established in order to prevent and detect fraud. The Charity operates a Fraud Register which itemises all instances of fraud/attempted fraud and the Audit & Control Committee regularly reviews the Fraud Register.

Review

The Directors, through the Audit & Control and Clinical Governance Committees, have reviewed the effectiveness of the Charity's system of internal financial control in operation during 2016-17.

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 Group's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor was aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Directors

The Directors who served during the year were as follows:

Professor Annie Bartlett (appointed 23 November 2016)
Mrs Dorothy Brown
Mr James Cook
Dr Karim Dar
Dr Susan Kinnaird (Chair from 23 Nov 2016)
Ms Susan Ellenby
Mr Mike Ewart
Mr Mark Haysom (Chair up to 23 Nov 2016)
Ms Anne Hooper
Ms Gill Saunders
Ms Emanuele Labovitch
Mr Iain McGourty
Mr Gordon Statham
Ms Sarah Thewlis (Vice-Chair)

All of the Directors are non-beneficial members of the Charity. All members of the Charity guarantee to contribute to a maximum of £1, should there be a call on their guarantee whilst members of the Charity or within one year after ceasing to be a member. The Directors of the Charity are also the Trustees.

Post Balance Sheet Events

The Group is marketing the disposal of six of its properties with a view to re-investing the proceeds in the acquisition of property which will deliver services and outcomes which would be more consistent with its new Corporate Strategy.

Auditors

The current auditor, Nexia Smith & Williamson, is deemed to be reappointed as auditor.

Approved by the Board of directors on 28th September 2017
and signed on behalf of the Board by

George Lambis
Company Secretary

Registered number 1626869

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE BOARD AND MEMBERS OF PHOENIX HOUSE LIMITED

We have audited the financial statements of Phoenix House Limited ("the Charity") for the year ended 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Charity Statement of Financial Position, the Consolidated and Charity Statements of Changes in Capital and Reserves, the Consolidated Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Charity's board, as a body, in accordance with Section 151 of the Charities Act 2011 and regulations made under Section 154 of the Charities Act 2011 and to the Charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in accordance with Section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Charity's board and 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 Charity and the Charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in Directors' Responsibilities Statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and Section 151 of the Charities Act 2011 and report to you in accordance with those acts. 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 Charity's affairs as at 31 March 2017 and of the Group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX HOUSE (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Directors' Report and Strategic Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Charity and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report and Strategic Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities Act 2011 and the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained;
- adequate accounting records have not been kept by the Charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the Charity financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nexia Smith & Williamson

Jacqueline Oakes
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date .29... September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	21,042	24,876
Operating expenditure	2	(20,706)	(24,279)
Pension deficit	8, 25	(223)	(1,775)
Total operating expenditure		(20,929)	(26,054)
Operating surplus/(deficit)		113	(1,178)
Surplus on disposal of fixed assets	10	-	255
Interest receivable	6	53	40
Interest and financing costs	7	(119)	(87)
Surplus/(deficit) for financial year	8	47	(970)
Other comprehensive income		-	-
Total comprehensive income for the financial year		47	(970)

All of the Group's operations are classed as continuing.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2017

		2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets - housing properties	11	7,213	7,040
Other tangible fixed assets	12	1,483	1,514
		8,696	8,554
Current assets			
Debtors	14	1,596	2,783
Cash and cash equivalents	15	6,806	5,864
		8,402	8,647
Creditors: amounts falling due within one year	16	(2,875)	(2,907)
Net current assets		5,527	5,740
Total assets less current liabilities		14,223	14,294
Creditors: amounts falling due after more than one year	17	5,912	6,152
Provisions for liabilities and charges			
Provisions for liabilities	18	146	24
Capital and Reserves			
Share capital	20	-	-
Revenue reserve	21	8,165	8,118
		14,223	14,294

The financial statements were approved and authorised for issue by the Board of Directors on 28th September 2017 and were signed on its behalf by:

S. Kinnaird
(Director)

G. Statham
(Director)

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
for the year ended 31 MARCH 2017

	Notes	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2016		-	8,118	8,118
Surplus from Statement of Comprehensive Income		-	47	47
At 31 March 2017		-	8,165	8,165

	Notes	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2015		-	9,088	9,088
Deficit from Statement of Comprehensive Income		-	(970)	(970)
At 31 March 2016		-	8,118	8,118

CHARITY STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets - housing properties	11	2,454	2,213
Other tangible fixed assets	12	204	450
Investments	13	4,845	4,845
		7,503	7,508
Current assets			
Debtors	14	2,298	2,465
Cash and cash equivalents	15	6,569	5,672
		8,867	8,137
Creditors: amounts falling due within one year	16	(2,109)	(2,115)
Net current assets		6,758	6,022
Total assets less current liabilities		14,261	13,530
Creditors: amounts falling due after more than one year	17	4,328	4,429
Provisions for liabilities and charges			
Provisions for liabilities	18	146	24
Capital and Reserves			
Share capital	20	-	-
Revenue reserve	21	9,787	9,077
		14,261	13,530

The Charity's surplus for the financial year was £710k (2016: deficit of (£368k)

The financial statements were approved and authorised for issue by the Board of Directors on 28th SEPT. 2017 and were signed on its behalf by:

S. Kinnaird
(Director)

G. Statham
(Director)

Company Registration No. 1626869

CHARITY STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2017

	Note	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2016		-	9,077	9,077
Surplus from Statement of Comprehensive Income		-	710	710
At 31 March 2017		-	9,787	9,787

	Note	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2015		-	9,445	9,445
Deficit from Statement of Comprehensive Income		-	(368)	(368)
At 31 March 2016		-	9,077	9,077

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Net cash generated from operating activities	A	1,325	710
Cash flow from investing activities			
Interest received		53	40
Grant received		280	-
Purchase of tangible fixed assets		(716)	(732)
Proceeds from disposal of tangible fixed assets		-	806
Net cash (used in)/generated from investing activities		(383)	114
Net increase in cash and cash equivalents		942	824
Cash and cash equivalents at beginning of year		5,864	5,040
Cash and cash equivalents at end of year	B	6,806	5,864

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 MARCH 2017

A RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2017 £'000	2016 £'000
Surplus/(deficit) for the year	47	(970)
Interest receivable and similar income	(53)	(40)
Interest payable and similar charges	119	87
Profit on sale of housing properties	-	(258)
Loss on sale of other tangible fixed assets	-	3
Depreciation charge on tangible fixed assets	574	515
Decrease in debtors	1,186	667
Decrease in creditors	(146)	(515)
Increase/(decrease) in provisions	122	(3)
Movement in pension liability	(524)	1,224
Net cash inflow from operating activities	1,325	710

B CASH AND CASH EQUIVALENTS

	2017 £'000	2016 £'000
Cash at bank and in hand	6,806	5,864

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017

1 Accounting policies

General information

The Charity is a Company incorporated in the United Kingdom under the Companies Act. The Charity is also a registered charity and a Registered Provider of Social Housing registered with the Homes and Communities Agency. A description of the nature of the Charity's operations and its principal activity is disclosed in the Strategic Report on page 7.

The Charity's registered office is 68 Newington Causeway London SE1 6DF.

The Group and Charity meet the definition of a Public Benefit Entity per FRS 102.

Basis of accounting

The Financial Statements of the Charity are prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Housing SORP 2014 "Statement of Recommended Practice for registered social housing providers" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£'000).

Disclosure exemptions

The Charity meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage in preparing the separate financial statements of the Charity of the following disclosure exemptions:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented, as the reconciliations for the Group and the Charity would be identical;
- A Statement of Cash Flows has not been presented for the Charity;
- Disclosures in respect of the Charity's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosures have been provided for the aggregate remuneration of the key management personnel of the Charity as their remuneration is included in the totals for the Group as a whole.

Basis of consolidation

The Group financial statements consolidate the financial statements of Phoenix House and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passes. Control is achieved where the association has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of NORCAS Limited and Phoenix (Live-in-World) Limited are excluded from the consolidated accounts on the basis that they are immaterial to the Group.

The results of subsidiaries acquired or disposed of during the year are included in Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

1 Accounting policies (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

As permitted by section 408(3) of the Companies Act 2006, the Charity's Statement of Comprehensive Income (income and expenditure account) has not been included in these financial statements.

Going concern

As the Charity's intention is to continue in business, the financial statements are prepared on a going concern basis.

Key sources of estimation uncertainty and judgements

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses for the year. Although these estimates and associated assumptions are based on historical experience and the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Critical judgements in applying the Group accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Board has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Identification of housing property components

The Group accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. Judgement is used in allocating property costs between components and in determining the useful economic lives of each component.

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

Identification of cash generating units for impairment testing

For impairment purposes, as explained in the accounting policies, housing properties are grouped into schemes which reflects how the properties are managed.

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset.

1 Accounting policies (continued)

Key sources of estimation uncertainty and judgements (continued)

Identification of cash generating units for impairment testing (continued)

If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amount for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of (a) the cost of purchasing an equivalent property on the open market; and (b) the land cost plus the rebuilding cost of the structure and components. The cost of purchasing an equivalent property on the open market is estimated based on the sale prices for similar properties in or near the same location. The rebuilding cost of structures and components is based on the current build costs, based on market data (being primarily construction indices) applied to the relevant building size and type.

Valuation of fixed assets for the purpose of acquisition accounting

In arriving at the valuation of properties acquired, an element of judgement is required. The Board utilised external third party specialists to provide this valuation.

Key sources of estimation uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the financial statements are discussed below:

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to 'technological obsolescence' with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2017 was £2,239k (2016: £1,814k).

Amortisation of government grants

Government grants received for housing properties are recognised in income over the useful life (as identified for the depreciation charge) of the housing property structure (excluding land), on a pro rata basis under the accrual model.

Bad debt provision

The trade debtors balance of £404k (2016:£1,519k) is recorded in the Group's Statement of Financial Position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. The bad debt provision at 31 March 2017 was £nil (2016: £nil).

Multi-employer pension obligation

The Association has entered into a contractual agreement with the Social Housing Pension Scheme (SHPS) to determine how the deficit will be funded. Contributions not expected to be settled within 12 months after the reporting date are measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds. A liability of £5,728k is recorded the statement of financial position at 31 March 2017 (2016: £6,133k).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

1 Accounting policies (continued)

Business combinations

Acquisitions are accounted for under the acquisition method. This requires the new entity's assets and liabilities to be initially recognised at fair value. Goodwill is calculated as the difference between the fair value of the consideration paid and the fair value of the net assets acquired. Where the nature of the business combination is of one entity gifting control to the other ("non-exchange transaction"), the fair value of the gifted assets and liabilities are recognised as a gain or loss in the Statement of Comprehensive Income in the year or the transaction, in accordance with the SORP.

Tangible Fixed assets

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

Freehold and long leasehold housing properties are stated at cost less any provision for any diminution in value and depreciation. The cost of land is not depreciated.

The cost of properties is the initial purchase price together with those costs that are directly attributable to acquisition and construction. Where an asset comprises components with materially different useful lives, those assets are separately identified and depreciated over those individual lives.

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised.

Depreciation is provided on a straight line basis over the periods shown below:

Housing properties

Land	Infinite
Structure	50 years
Roofs	40 years
Heating System	30 years
Kitchens	15 years
Bathrooms	10 years
Leasehold improvements	Over the period of the lease

Other fixed assets are included at cost to the Group less depreciation.

Other tangible fixed assets

Motor vehicles	4 years
Computer hardware and software	3 years
Office & hostel furniture and equipment	4 - 5 years
Hostel electrical equipment	3 years
Long leasehold	Over the period of the lease
Leasehold improvements	Over the period of the lease

1 Accounting policies (continued)

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

Where investments represent one entity gifting control to the other, the investment is initially recognised at the fair value of the gifted assets and liabilities, with a corresponding gain or loss recognised in the Statement of Comprehensive Income in the year of the transaction.

Financial Instruments

Financial assets and liabilities comprise trade and other debtors, cash and cash equivalents and trade and other payables.

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition, and which meet the above conditions, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Group transfers to another party substantially all the risks and rewards of ownership of the financial asset, or,
- the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are de-recognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Group does not use standalone derivative financial instruments to reduce exposure to interest rate movements.

Cash and cash equivalents

Cash and Cash Equivalents comprise cash in hand and at bank and short term deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

1 **Accounting policies (continued)**

Impairment

Non-financial assets

Non-financial assets comprise housing properties and other tangible fixed assets.

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Financial assets

Financial assets comprise trade and other debtors, cash and cash equivalents and trade and other payables.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Grants

Government grant

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land), on a pro rata basis under the accrual model of accounting.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position.

Where a component is replaced the amount of any unamortised government grant associated with this component is taken to income.

Government grant is repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the Government Grant

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

1 **Accounting policies (continued)**

Grants (continued)

repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Home and Communities Agency's right to recover Government Grant to their own loans.

Government grant received in respect of revenue expenditure is recognised within income in the same period as the related expenditure, provided that the conditions for its receipt have been satisfied and there is reasonable assurance that the grant will be received using the performance model of grant accounting.

Recycled capital grant fund

Following certain relevant events, primarily the sale of dwellings, the Homes and Communities Agency can direct the Charity to recycle capital grant or to repay the recoverable capital grant back to the Authority. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes a specific future performance related conditions on the Group, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Supporting People Grant

Supporting People Grant is payable by Local authorities. The amount credited to the income has been evaluated in accordance with Supporting People Grant arrangements with specific Local Authorities and under the performance model of accounting.

Pension scheme

The Charity is party to a multi-employer defined benefit (final salary) contributory pension scheme administered independently. The Charity is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As there is a contractual agreement between the scheme and the Charity that determines how the deficit will be funded, the contributions payable that arise from the agreement to the extent that they relate to the deficit is recognised as a liability in the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income. When the contributions are not expected to be settled within 12 months after the reporting period, the liability is measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds. Pension liabilities acquired as a result of entities joining the Group are measured at fair value at the date of acquisition.

Provisions

Provisions for liabilities and charges are recognised when the Group has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated and it is probable that a transfer of economic benefit will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

1 **Accounting policies (continued)**

Short term employee benefits

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date, has been carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Employee termination benefits

Where the Group has committed to pay employee termination benefits before the year end, those benefits are accrued in the current year.

Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. The aggregate benefits of any lease incentive are recognised as a reduction in expenses recognised over the term of the lease.

The Group has applied the exemption in Section 35.10(p) and will continue to recognise any residual benefit or cost associated with lease incentives on the same basis as that applied at the date of transition to FRS 102.

Taxation

The Charity and its subsidiaries are registered charities and therefore are not subject to Corporation Tax on surpluses arising from charitable activities.

The Group is registered for VAT. Amounts within the financial statements are stated net of VAT.

Turnover

Turnover represents amounts receivable for the year from statutory authorities including the Homes & Communities Agency, and from trusts and other charitable donors, given to the Group to allow it to run residential care and other support services for the rehabilitation of problematic substance misusers.

Income is recognised on the basis of the amount receivable for the year. Income received in advance is disclosed within creditors in the Statement of Financial Position.

Other income is accounted for on the basis of the value of goods or services supplied during the period. Grant income is recognised as set out in the Grant accounting policy. Donations are accounted for once any conditions for receipt are met.

Revenue Reserves

It is the policy of the Charity to maintain the equivalent of between two and three months of expenditure in general revenue (free) reserves. This level of free reserves will provide some protection to the Charity and its charitable services during changing financial circumstances. Such circumstances may include a downturn in utilisation or other income, the need for unanticipated expenditure or strategic investment.

2A Particulars of turnover, operating costs and operating surplus

	2017 Turnover	2017 Operating costs	2017 Operating surplus /(deficit)	2016 Turnover	2016 Operating costs	2016 Operating surplus /(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing lettings (note 2B)	5,342	(6,442)	(1,100)	6,243	(7,138)	(895)
Other Social housing activities						
Revenue grants	11,009	(10,333)	676	12,226	(13,215)	(989)
Charitable donations and sundry income	110	(148)	(38)	804	(399)	405
	16,461	(16,923)	(462)	19,273	(20,752)	(1,479)
Non-social housing activities	4,581	(4,006)	575	5,603	(5,302)	301
Total	21,042	(20,929)	113	24,876	(26,054)	(1,178)

2B Particulars of turnover, operating costs and operating surplus (continued)

	2017			2016
	Residential care homes £'000	Supported housing £'000	Total £'000	Total £'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	3,179	1,446	4,625	5,470
Service charge income	-	639	639	93
Other revenue grants	66	12	78	680
Turnover from social housing lettings	3,245	2,097	5,342	6,243
Expenditure on social housing lettings				
Management	1,284	573	1,857	2,067
Service charge costs	457	258	715	703
Routine maintenance	88	71	159	184
Depreciation of housing properties	91	64	155	150
Staff costs	1,624	645	2,269	2,764
Property lease charges	159	362	521	467
Resident costs	534	76	610	642
Other costs	97	59	156	161
Operating costs on social housing lettings	4,334	2,108	6,442	7,138
Operating surplus/(deficit) on social housing lettings	(1,089)	(11)	(1,100)	(895)
Rent losses from voids (included in rent receivable above)	1,066	143	1,209	1,415

The Charity calculates voids by comparing actual income with theoretical income. Theoretical income is based on the number of units registered with the Care Quality Commission. This theoretical number of units assumes that a number of adults or family members could potentially share a specific bedroom in a specific property and it fundamentally represents maximum potential capacity of clients as opposed to housing units. The method of calculation for voids was changed in the year to better reflect the situation which exists. The prior year comparatives have been restated in line with this change in methodology.

3 Directors' emoluments

	2017 £'000	2016 £'000
All Directors:		
Aggregate emoluments	398	398
Pension contributions	18	18
	416	416

Non-executive Board members are not remunerated.

	2017 £'000	2016 £'000
Highest paid Director*:		
Aggregate emoluments	103	105
Pension contributions	6	6
	109	111

*Not a Director under the Companies Act or a member of the Board.

Chief Executive's pension arrangements

The Chief Executive is a member of the industry-wide defined benefit salary scheme in which the Charity participates. Further details are given in note 25. No special terms or conditions apply to her membership. During the year pension contributions of £6,090 (2016: £6,090) were made on behalf of the Chief Executive.

4 Employee information

The average monthly number of full time equivalent persons (based on 37.5 hour week) employed during the year was as shown below:

Group	2017 No	2016 No
Permanent staff - full time equivalent (number)	478	572
Sessional staff - full time equivalent (number)	14	13
Total employed by FTE	492	585
Total employed by Headcount	591	729

4 Employee information (continued)

The average monthly number of full time equivalent persons (based on 37.5 hour week) employed during the year was as shown below:

Charity	**2017**	**2016**
	No	**No**
Permanent staff - full time equivalent (number)	436	490
Sessional staff - full time equivalent (number)	11	11
Total employed by FTE	447	501
Total employed by Headcount	542	627

Salary banding for all employees earning over £60,000 including salaries and bonuses but excluding pension contributions paid by employer:

Group	**2017 No.**	**2016 No.**
£100,001-£110,000	1	1
£90,001-£100,000	-	-
£80,001-£90,000	1	1
£70,001-£80,000	2	2
£60,001-£70,000	1	1
	5	5

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

5 Staff costs

Group

	2017 £'000	2016 £'000
Wages and salaries	12,723	15,498
Compensation for loss of office	264	229
Social security	1,177	1,399
Pension costs	1,109	991
	15,273	18,117

Charity

	2017 £'000	2016 £'000
Wages and salaries	11,564	13,240
Compensation for loss of office	185	185
Social security	1,070	1,192
Pension costs	859	791
	13,678	15,408

6 Interest receivable

	2017 £'000	2016 £'000
Bank interest receivable	53	40

7 Interest and financing costs

	2017 £'000	2016 £'000
Unwinding of discount on multi-employer pension scheme liability	119	87

8 Surplus/(Deficit) for the year

	2017 £'000	2016 £'000
The surplus is stated after charging:		
Depreciation of housing properties	156	150
Depreciation of tangible fixed assets	418	365
Operating lease rentals payable:		
- Land and buildings	330	490
- Other	14	58
Exceptional items:		
- Pension costs	223	1,775

9 Auditor's remuneration (excluding VAT)

	2017 £'000	2016 £'000
Fees payable to the Charity's auditor for the audit of the parent company and consolidated annual financial statements	28	26
Fees payable to the Charity's auditor and its associates for other services to the Group:		
- Audit of subsidiary undertakings	7	10
- Taxation advisory services	-	2
- Other services	11	5

Fees payable to the Charity's auditor for non-audit services to the Charity itself are not disclosed in the individual accounts because the Charity's consolidated accounts are required to disclose such fees on a consolidated basis.

10 Surplus on disposal of fixed assets

	2017 £'000	2016 £'000
Sale proceeds	-	850
Net book value	-	(272)
Grant recycled	-	(279)
Disposal costs	-	(44)
	-	255

11 **Housing properties**	**Freeholds**	**Long leaseholds**	**Short Leaseholds**	**Total**
Group	**£'000**	**£'000**	**£'000**	**£'000**
Cost				
At 31 March 2016	6,289	1,300	268	7,857
Component additions	329	-	-	329
Disposals	(7)	-	(9)	(16)
At 31 March 2017	6,611	1,300	259	8,170
Depreciation				
At 31 March 2016	581	45	191	817
Charge for year	80	17	59	156
Disposals	(2)	-	(14)	(16)
At 31 March 2017	659	62	236	957
Net book value				
At 31 March 2017	5,952	1,238	23	7,213
At 31 March 2016	5,708	1,255	77	7,040

There are charges on certain properties, as security, relating to funding received, that may lead to amounts becoming repayable in certain circumstances such as the sale of the relevant properties.

Accommodation owned and in management

The number of supported housing units owned and in management at 31 March 2017 was 328 (2016: 365).

209 bed spaces (2016: 201) were managed by the Group but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

11 **Housing Properties (continued)**

Charity	Freeholds £'000	Short leaseholds £'000	Total £'000
Cost			
At 31 March 2016	2,624	336	2,960
Component additions	326	-	326
Disposals	(6)	(77)	(83)
At 31 March 2017	2,944	259	3,203
Depreciation			
At 31 March 2016	490	257	747
Charge for year	25	59	84
Disposals	(2)	(80)	(82)
At 31 March 2017	513	236	749
Net book value			
At 31 March 2017	2,431	23	2,454
At 31 March 2016	2,134	79	2,213

There are charges on certain properties, as security, relating to funding received, that may lead to amounts becoming repayable in certain circumstances such as the sale of the relevant properties.

Accommodation owned and in management

The number of registered care and supported housing units owned and in management at 31 March 2017 was 264 (2016: 277).

199 bed spaces (2016: 164) were managed by the Charity but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

12 Other fixed assets

Group	Long leasehold investment £'000	Leasehold property improvements £'000	Office furniture & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 March 2016	508	494	1,169	340	2,511
Additions	-	336	51	-	387
Disposals	-	(1)	(97)	(35)	(133)
At 31 March 2017	508	829	1,123	305	2,765
Depreciation					
At 31 March 2016	20	4	728	245	997
Charge for year	10	86	272	50	418
Disposals	-	-	(99)	(34)	(133)
At 31 March 2017	30	90	901	261	1,282
Net book value					
At 31 March 2017	478	739	222	44	1,483
At 31 March 2016	488	490	441	95	1,514

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

12 **Other fixed assets (continued)**

Charity	**Office furniture & equipment £'000**	**Motor vehicles £'000**	**Total £'000**
Cost			
At 31 March 2016	1,073	273	1,346
Additions	35	-	35
Disposals	(90)	(35)	(125)
At 31 March 2017	1,018	238	1,256
Depreciation			
At 31 March 2016	675	221	896
Charge for year	247	33	280
Disposals	(90)	(34)	(124)
At 31 March 2017	832	220	1,052
Net book value			
At 31 March 2017	186	18	204
At 31 March 2016	398	52	450

13 Company fixed asset investments

	2017 £'000	2016 £'000
Investments in subsidiary undertaking	4,845	4,845

Subsidiary	Status	Activity	Holding
Phoenix House (Live-in-World) Limited	Registered under the Companies Act 2006, limited by shares	Dormant	100%
NORCAS Limited*	Registered under the Companies Act 2006, limited by guarantee	Dormant since 1 August 2013	N/A
ARP Charitable Services (trading as Foundation 66)*	Registered under the Companies Act 2006, limited by guarantee	Provision of treatment, advice and support to people with alcohol, drug and related problems	N/A

* Subsidiary by virtue of control of the Board
* The registered office for all subsidiaries is 68 Newington Causeway, London, SE1 6DF.

Subsidiary undertakings

Cost	**£'000**
At 1 April 2016 and 31 March 2017	4,845
Net book value	
At 31 March 2017	4,845
At 31 March 2016	4,845

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

14 **Debtors**

	Group		Charity	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Arrears of charges to statutory bodies and others	219	290	173	235
Amounts due from contractual income	185	1,229	177	1,150
	404	1,519	350	1,385
Other debtors	66	64	23	23
Prepayments and accrued income	1,126	1,200	1,072	1,031
Amounts due from Group undertakings	-	-	853	26
	1,596	2,783	2,298	2,465

Debtors are measured at the undiscounted amounts receivable.

15 **Cash and cash equivalents**

	Group		Charity	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	6,806	5,864	6,569	5,672

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

16 **Creditors: amounts falling due within one year**

	Group		Charity	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	484	476	433	390
Payments in advance	176	118	157	118
Other creditors including taxation and social security costs	364	535	328	454
Accruals, deferred income and grants received in advance	796	761	646	632
Recycled capital grant fund	279	279	-	-
Multi-employer pension scheme	776	738	545	521
	2,875	2,907	2,109	2,115

Creditors are measured at the undiscounted amounts payable.

17 **Creditors: amounts falling due after more than one year**

	Group		Charity	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Deferred grants	960	757	940	710
Multi-employer pension scheme	4,952	5,395	3,388	3,719
	5,912	6,152	4,328	4,429

On acquisition of Foundation 66, the Group recognised the housing properties at fair value and the associated grant, from the Homes and Communities Agency, under the performance model of accounting. £974k (2016:£974k) is therefore potentially recyclable on disposal.

18 Provisions

Onerous leases and dilapidations	Group and Charity 2017 £'000	2016 £'000
At 1 April	24	27
Movement in provision	122	(3)
As at 31 March	146	24

19 Recycled capital grant fund

	Group 2017 £'000	2016 £'000	Charity 2017 £'000	2016 £'000
Balance at 1 April	279	-	-	-
Inputs to fund:			-	
- Recycled on disposal	-	279	-	-
Balance at 31 March	279	279	-	-
Amount due for repayment to HCA (due within one year)	-	-	-	-

20 Share Capital

The Charity is limited by guarantee and has no equity or non-equity share capital. Members of the Charity guarantee to contribute a maximum of £1 should there be a call on their guarantee.

21 Reserves

Revenue reserve

The revenue reserve represents cumulative profits and losses.

22 Incorporation

The Charity is registered with the Homes & Communities Agency and prepares its accounts under the Accounting Direction for Private Registered Providers of Social Housing 2015. It is incorporated under the Companies Act 2006 and registered in England and Wales.

23 Operating leases

The future minimum lease payments under non-cancellable leases are as follows:

Group	2017 Land and buildings £'000	2017 Other £'000	2016 Land and buildings £'000	2016 Other £'000
For leases expiring:				
Within one year	330	-	176	14
Between two and five years	121	-	182	-
After five years	6	-	-	-
	457	-	358	14

Charity	2017 Land and buildings £'000	2017 Other £'000	2016 Land and buildings £'000	2016 Other £'000
For leases expiring:				
Within one year	296	-	147	-
Between two and five years	-	-	66	-
After five years	-	-	-	-
	296	-	213	-

24 Contingent liabilities and assets

After winning a significant new business contract, the Charity has assumed a contingent pensions liability under the government's Fair Deal guidance and the Best Value Authorities Staff Transfers (Pensions) Direction 2007. The funder has however fully indemnified the Charity for any such liabilities which may arise under the contract.

25 Pension Scheme Arrangements

Social Housing Pension Scheme ("SHPS")

The Group participates in the Social Housing Pension Scheme ("the Scheme"). The Scheme is funded and is contracted out of the state scheme. As at the balance sheet date there were 380 (2016: 418) active members of the Scheme employed by the Group.

25 **Pension Scheme Arrangements (continued)**

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

The Scheme is subject to the funding legislation outlined in the Pensions Act 2014 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 Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

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

A full actuarial valuation of the Scheme was carried out at 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 as follows:

From 1 April 2016 to 30 September 2020	£40.6m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 4.7% each year on 1 April)
From 1 April 2016 to 30 September 2023	£28.6m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 4.7% each year on 1 April)
From 1 April 2016 to 30 September 2026	£32.7m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 3.0% each year on 1 April)
From 1 April 2016 to 30 September 2026	£31.7m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 3.0% each year on 1 April)

25 Pension Scheme Arrangements (continued)

Past service deficit reduction contributions of £776,297 are payable by the Group for the year ended 31 March 2018.

Where the Scheme is in deficit and where the Group has agreed to a deficit funding agreement, the Group recognises a liability for the 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.

Growth Plan

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Group 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 Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1 April)

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1 April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

25 Pension Scheme Arrangements (continued)

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement the Group 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.

The Group does not contribute to the Growth Plan. Members paid contributions at the rate of between 1% and 5% during the accounting period. As at the balance sheet date there was 1 (2016: 2) active member of the Plan employed by the Group. The Group continues to offer membership of the Plan to its employees.

Present value of provision	**2017 £'000**	**2016 £'000**
As at 31 March	5,728	6,133

Reconciliation of opening and closing provisions	**2017 £'000**	**2016 £'000**
Provision as at 1 April	6,133	4,822
Unwinding of the discount factor	119	87
Deficit contributions paid	(747)	(551)
Impact of changes in assumptions	223	(37)
Amendments to the contribution schedule	-	1,812
As at 31 March	5,728	6,133

Income Statement impact	**2017 £'000**	**2016 £'000**
Unwinding of discount factor (interest expense)	119	87
Impact of changes in assumptions	223	(37)
Amendments to the contribution schedule	-	1,812
Amount recognised in operating costs	223	1,775
As at 31 March	342	1,862

Assumptions	**2017 % per annum**	**2016 % per annum**
Rate of discount – main scheme	1.33	2.06
Rate of discount – Growth Plan	1.32	2.07

25 **Pension Scheme Arrangements (continued)**

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 using a full AA corporate bond yield curve to discount the same recovery plan contributions.

26 **Ultimate controlling party**

There is no ultimate controlling party.

27 **Related party transactions**

During the year, the Charity provided central management services to Foundation 66, a fully owned subsidiary of the Charity.

Karen Biggs, the Charity's Chief Executive is a director of Drugscope which is a registered charity (number 255030) and a company limited by guarantee (number 926236). Drugscope rented premises from the Charity at its central office which was based at ASRA House, 1 Long Lane, London SE1 4PG until 22 October 2016. The amount invoiced for the financial year ended 31 March 2017 was £nil (2016: £17,178). Drugscope is currently in liquidation. The transaction was an arm's length transaction and Karen Biggs abstained during any decision making.

Key Management personnel	**2017 £'000**	**2016 £'000**
Remuneration paid to Key Management Personnel were:		
Remuneration (as per note 3)	416	416
Employer's social security costs	49	49
	465	465

PHOENIX HOUSE

The following does not form part of the statutory financial statements

CHARITY STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2017

	2017 **£'000**	**2016** **£'000**
Turnover	19,361	21,326
Operating costs	(18,486)	(20,512)
Pension deficit	(136)	(1,156)
Total operating expenditure	(18,622)	21,668
Operating surplus/(deficit)	739	(342)
Surplus on disposal of fixed assets	-	(3)
Interest receivable and similar income	53	39
Interest payable and similar charges	(82)	(62)
Surplus /(deficit) for financial year	710	(368)
Other comprehensive income	-	-
Total comprehensive income for the financial year	710	368