

**Phoenix House
(Trading as Phoenix Futures)
Report and financial statements
for the year ended
31 March 2019**

Company's Registered Number 1626869

Office of the Scottish Charity Regulator Registered Number SC039008

THURSDAY



A8H8W263

A14

31/10/2019

#200

COMPANIES HOUSE

PHOENIX HOUSE

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

CONTENTS	PAGE
Directors and Advisers	2
Chair's Introduction	3
Strategic Report	4-15
Directors' Report	16-22
Independent Auditor's Report	23-25
Statement of Comprehensive Income (Income and Expenditure Account)	26
Statement of Financial Position (Balance Sheet)	27
Statement of Changes in Capital and Reserves	28
Statement of Cash Flows (Cash Flow Statement)	29
Notes to the Statement of Cash Flows	30
Notes to the Financial Statements	31-54

PHOENIX HOUSE

DIRECTORS AND ADVISERS

DIRECTORS

Professor Annie Bartlett (Vice-Chair)
Mrs Dorothy Brown
Dr Karim Dar
Ms Susan Ellenby
Mr Mike Ewart
Dr Susan Kinnaird (Chair)
Ms Emanuele Labovitch
Mr Iain McGourty
Mr Ian Watson

SENIOR MANAGEMENT

Mr James Armstrong (Director of Marketing & Innovation)
Ms Karen Biggs (Chief Executive)
Mr George Lambis (Director of Finance)
Mr Anthony Pearson (Director of Human Resources and L&D)
Mr Gary Rogerson (Director of Operations)

SECRETARY

Mr George Lambis

REGISTERED OFFICE

Phoenix House
68 Newington Causeway
London
SE1 6DF

BANKERS

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

REGULATOR OF SOCIAL HOUSING NUMBER

H 3795

PHOENIX HOUSE

CHAIR'S INTRODUCTION

Phoenix Futures has always been a charity guided by its values and focused on delivering its purpose.

In 2017 we launched our new corporate strategy "Confident About Recovery" which set some ambitions to improve the lives of people impacted by substance misuse. The Board are delighted with the progress the Charity has made in delivering those ambitions in the most challenging of times.

I am very proud to be the Chair of a charity that believes in being the best and dedicates energy and focus to delivering excellent service for some of the most marginalised and stigmatised people in our communities.

The opening of our new residential care home in Glasgow truly demonstrates our commitment to providing the very best innovative services. The fully accessible modern building provides the highest environmental standards and care. We were very pleased to receive an excellent rating from the Care Inspectorate for the care and support delivered in the new service. The Board visited and spent time with the community shortly after the service opened and we could see how proud staff and residents were of their new home.

We take our role as the largest provider of residential rehabilitation services in the UK seriously. The changes in the regulatory environment have taken time to adjust to but I am delighted that the Care Quality Commission have awarded all Phoenix services they have inspected with a 'Good' rating and also identified some outstanding areas of practice. It is right that services delivering such vital care to people are independently reviewed and regulated.

Of course, it is impossible for any charity to truly deliver its best in isolation. We are incredibly privileged to have excellent partners, many we have been working with for over a decade, who share our values and our passion. Together with our partners and supporters we are able to deliver much more than we could on our own and we are very grateful to them for their ongoing support.

You will see from this report that Phoenix Futures is a financially robust charity and in these uncertain times we are confident to be able to assure our longevity and sustainability.

We are grateful to the commissioners who have valued our expertise in delivering psychosocial interventions and have commissioned more innovative services from us in the last year.

My thanks also to our Boards, the UK Board for their strategic oversight and supporting the organisation to deliver its purpose effectively and to the Scotland Board for supporting our delivery in Scotland throughout a very busy year.

And finally to the staff, volunteers and service users who never cease to impress and inspire with their passion and commitment. They are the unique ingredient to our charity that make it a privilege to be part of.

I very much hope you enjoy reading our report and sharing in our successes over the year.

Dr Susan Kinnaird
Chair of Phoenix Futures

PHOENIX HOUSE

STRATEGIC REPORT

The Directors present their Strategic report for the year ended 31 March 2019.

The charity that is confident about recovery

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

This year we directly supported over 20,000 people. We deliver our purpose through a number of different activities;

- We are a specialist treatment provider of **psychosocial services to people with drug and alcohol problems**
- We deliver services in **prison and the community** to individuals experiencing problematic drug and alcohol use
- We are the **largest provider of residential rehabilitation** services
- We are the only **specialist substance misuse registered housing provider**
- We deliver a number of initiatives across the country that address **stigma** and demonstrate the impact of treatment and the potential of people in recovery

Purpose Values and Beliefs

Our guiding principles are contained within our Purpose, Values and Beliefs. We developed these principles following an extensive period of reflection with our service users, staff and stakeholders. We use them to help us make decisions and ensure that the way we behave as individuals and collectively meets our expectations and the expectations of those we seek to support.

Our Purpose

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

Our 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 50 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

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Our Values and beliefs (continued)

Confidently meeting changing needs

At Phoenix we have been helping some of the most vulnerable and excluded people in our communities for over 50 years. We have done this through innovating, challenging perceptions, sharing our learning and providing good leadership.

We know the role of charities is vital to meeting the needs of people who struggle to get the support they need.

In 2017 we launched our new strategy Confident About Recovery. We set ourselves some big ambitions, we knew it was going to be a difficult time for people who use our services and for the sector. Less is being spent on substance misuse services and people are being left to cope in the most desperate of circumstance for longer. People are dying on our streets and in our prisons, people who need society's help, not neglect. The legacy of the stigma of addiction continues to hinder access to treatment and the resources people in recovery need to progress in life.

The nature of our services means the policy context we work in also changes. The political upheaval created by Brexit over the last year has left little headroom for some of the health and social care challenges being faced by our community.

Despite such a difficult environment we have achieved a lot over the course of this strategy:

- We have helped thousands of people access treatment and sustain their recovery; we directly supported more than 20,000 people last year and indirectly thousands more through our family support, stigma reduction and conservation work. 500 people directly benefitted from our residential services which provide unique forms of treatment and support
- We launched new services in prison and community and welcomed staff from across the sector
- We invested £1m in a new sector leading residential service in Glasgow that means people with accessibility needs can now benefit from residential treatment in a fully accessible building.
- We helped people gain new skills and valuable volunteer experience
- We have created more accommodation for people who want a landlord that understands their recovery journey, and we have invested in improving the properties we already have because we know people deserve the very best living environment whatever experiences in life they have had.
- And we made great strides with our new Purple Camel initiatives because environmental sustainability is important to all of us

Our residential services support people with multiple or complex needs. We work closely with the Care Quality Commission (CQC) in England and the Care Inspectorate (CI) in Scotland to ensure we provide the highest level of quality and care in our services. We appreciate that the new care standards in England have been demanding for the sector. As the largest provider of residential rehabilitation services (Registered Care Homes) in the sector, with 50 years' experience of delivering these services, we have been well placed to make the changes required to meet the new regulatory expectations.

Whilst the context we work in continues to present a challenge, our expertise and financial strength gives us confidence that we can meet the challenges head on and continue to deliver the very best quality services for those who need our help.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Our Values and beliefs (continued)

A Strategy that offers confidence to people in need

Our **Confident About Recovery** strategy set out our aspirations to:

- Develop new specialist psychosocial services for prison settings to meet the changing needs
- Establish ourselves as a specialist provider of housing for people in treatment and recovery, providing housing solutions to give more people in recovery the opportunity to live and thrive independently in the communities they choose
- Develop our range of residential rehabilitation services to help more people get the most from this life-changing opportunity
- Tackle stigma and prejudice that prevents people accessing treatment and progressing in their recovery

Services that offer life changing opportunities

Residential Rehabilitation Services

We have 5 residential rehabilitation services across the UK and are the largest provider of residential rehabilitation services for people with substance misuse issues. We are committed to delivering the very best services efficiently and effectively as we can. In 2017 we set ourselves the ambition to review all of our Registered Care Home services to modernise our approach and support more people to access life-changing residential provision.

Achievements in the first 2 years of our strategy

- Developed a new strategy to realise our strategic ambitions
- Created senior positions to provide increased levels of leadership locally within services
- Created new clinical posts to support services to meet the increased clinical demands set out by CQC standards
- Reached 2.6 million people through work with the BBC to create the award-winning Addicted Parents documentary series showing the causes of addiction and the efforts of people in treatment
- Won the British Quality Foundation Award for innovative ways of challenging societal stigma
- Launched our Purple Camel sustainability project which combine therapeutic activities with environmental sustainability bringing benefits to the individual peer group and wider community
- Launching our Trauma Informed Care approach in our women only residential service Grace House
- Achieved Good with outstanding areas of practice in all of our residential services inspected to date
- Refurbished all of our residential services to create modern therapeutic environments

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Residential Rehabilitation Services (continued)

In the final year of the strategy we will

- Develop our residential services environmentally sustainable approaches through Purple Camel and other initiatives
- Continue the development of our approach to supporting complex needs
- Develop approaches with partners to support more people who need residential support to access our services

Criminal Justice Services

Phoenix delivers services in 21 secure settings in England including 1 Immigration Removal Centre and 2 Secure Training Centres. We also deliver innovative criminal justice services that maximise input from the community to meet the complex needs of service users and promote long term recovery and crime reduction. In Essex our liaison and diversion services and specialist service for offenders with complex needs have been recognised for their innovative approaches. This range of service provision gives us a breadth of experience and expertise that positions us as the sector leader in psychosocial substance misuse services within a criminal justice setting.

Achievements in the first 2 years of our strategy

- Retained services retendered and won new contracts increasing our portfolio of prison services
- Developed new approaches to supporting people in prison, with the implementation of our Recovery Inside model across Norfolk and Suffolk, and the Health & Wellbeing model in HMP Pentonville
- Provided an enhanced service to families and visitors in HMPs Wymott, Risley and Styal, as part of our delivery in the North West Prisons Family Services
- Implemented Recovery through Nature initiatives within the prison estate
- Carried out a piece of work to review approaches to supporting people in prison who use Psychoactive substances
- Contributed to the Advisory Council on the Misuse of Drugs (ACMD) review of throughcare from prison to the community and the Ex-Prisoners Recovering from Addiction (EPRA) Working Group chaired by Lord Patel of Bradford

In the final year of the strategy we will

- Implement our new prison strategy and developing our approach to use our psychosocial expertise within broader criminal justice services.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Psychosocial Provision in the community

All of our community services are delivered in partnership with other providers who bring their expertise to complement our specialist psychosocial models. We deliver community services across the UK, some in partnership with NHS trusts who bring their substance misuse clinical expertise. We are also very proud to deliver a range of innovative services in Essex commissioned across mental health and substance misuse boundaries to deliver very successful recovery approaches.

Achievements in the first 2 years of our strategy

- Retained our Derby City service delivered in partnership with Derbyshire NHS Foundation Trust
- Successfully tendered for:
 - a new Liaison & Diversion service in Essex with our partners Essex Partnership University Trust and Castle Rock Group
 - and the Essex Alcohol Psychosocial Intervention and Recovery Servicecomplementing our innovative and diverse range of services delivered across Essex
- Implemented with our partners Central and North West London NHS Foundation Trust (CNWL) a new service in Hounslow delivering the adult treatment services and some young people work across the borough
- Delivered one of the seven area individual placement and support (IPS) trials for drugs or alcohol dependency in community treatment services. With our partners Intuitive Thinking Skills our Derbyshire IPS service is showing excellent outcomes

In the final year of the strategy we will

- Identify opportunities to continue to bring our specialist expertise to form effective partnerships and develop new services
- Embed our exciting new models of provision in Essex
- Develop our new sustainability approach in Derbyshire
- Continue with the extended IPS pilot in Derbyshire
- Work with all of our partners to use our psychosocial expertise to support people with complex needs

Housing Services

In 2015 we launched our specialist approach to meeting the housing needs of people in treatment and recovery. A number of factors including the housing crisis in parts of the UK and stigma faced by people in recovery mean that an increasing number of people in recovery find it hard to access appropriate housing. This puts treatment gains and investment at risk for these people. A safe home is the foundation of long term recovery. Our housing income accounts for 12% of our total income but plays a vital role in helping us to deliver our purpose, we currently have 185 housing units for people in treatment or recovery.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Housing Services (continued)

Achievements in the first 2 years of our strategy

- Developed a further 17 units of specialist housing for people in recovery
- Created a new staffing structure to support our increased focus on housing, bringing valuable expertise in homelessness services into the organisation to complement our existing expertise
- Worked with our tenants and residents to create a clear set of standards for the quality of our housing provision and embarked on a modernisation programme of our supported housing services
- Awarded Highly Commended for Provider of Specialist Supported Housing in the Chartered Institute of Housing Awards
- Developed a new unique model of provision to support people not in treatment or recovery

In the final year of our strategy we will

- Continue the implementation of our new living standards in our housing provision
- Review the implementation of our first Housing Strategy and establish plans for the future
- Implement a training programme for people living in our housing provision to equip them to sustain tenancies

Phoenix Scotland

In Scotland we deliver a range of psychosocial services, including a registered care service, supported housing, peer mentoring service and a community service in Lanarkshire. Our Recovery Culture work opens up opportunities for people to develop new skills across the arts, sport and conservation. Recovery culture initiatives also support our anti-stigma work and demonstrate the potential of people in recovery.

Achievements in the first 2 years of our strategy

- Piloted a Recovery Café at HMP Barlinnie
- Won the Chartered Institute of Housing Scotland Award for Health and Wellbeing for our Recovery Culture project – this project brings conservation, sports and nature agencies from across Glasgow together to educate and empower communities to provide opportunity for people in recovery
- Invested £1m in a new fully accessible modern residential service

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Phoenix Scotland (continued)

In the final year of our strategy we will

- Deliver our successful Communities of Recovery Peer Mentor model in Fife
- Work with the Scottish Government and local partners across Scotland to implement the Scottish Governments Substance Misuse Strategy
- Continue to address stigma and open up opportunities for people in recovery through our Recovery Culture initiatives

Vital to our success

The reason we are effective in our delivery is due to our staff, volunteers and partners and service users who all work together to deliver our purpose.

Our People

In October 2018 we launched *Future Learn*, our updated learning and development programme. This reflected the feedback previously provided by the wider staff team. *Future Learn* will continue to be further refined and developed in order to ensure that it meets the differing needs of staff across the various sectors that we work within.

Our continuing commitment to being a good employer has again been acknowledged in the annual Best Companies Staff Survey. Our most recent results, published in December 2018, demonstrated a 4% improvement in our overall score, resulting in a classification of being a 2 star/Outstanding Employer. The position was further enhanced in February 2019 when we achieved our best ever placing in the Sunday Times Top 100 Employers Listing – placed 35th in the Best 100 Not-for-Profit Organisations to Work For.

Our volunteers

We value the contribution of our volunteers in services and in support functions. They bring both expertise and experience and in return we are happy to provide opportunities for people to develop new skills. Our commitment to our volunteers was formally recognised in January 2019 by the National Council for Voluntary Organisation (NCVO) with the award of The Investors in Volunteers Accreditation.

Many of our service users also contribute their time and skills to help the wider community.

For example, through our Recovery through Nature project participants contributed over 40,000 volunteer hours to conservation projects across the country.

Our Partnerships

We can't achieve all we want to achieve on our own. We have some very long-standing partnerships that have been and remain critical to our innovative approaches. The test of a good partnership in our view is that it enables all parties to do things they couldn't do on their own and we are proud of the value we have created together for individuals and communities through our partnerships.

We will continue to foster effective partnerships with large and small organisations that complement our core skills and offer ever greater value to our beneficiaries.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Effective support services

We know the best organisations have support services and processes that enable operational delivery to flourish. Our geographical spread and diversity of provision demands a higher level of expertise and responsiveness. Over the last 8 years we have focused on ensuring our organisational processes meet the very highest standards using the British Quality Foundation EFQM standards. In 2017 we were recredited with 5 stars for Excellence and were delighted to also be awarded an Innovation Award for Sustainability and Society.

Measuring our success

Value for Money

Our strategy is to achieve an optimal relationship between economy, efficiency and effectiveness where:

Economy means ensuring we have sufficient resources to achieve our objectives

Efficiency means using our resources wisely in line with our objectives

Effectiveness means achieving the best results

Every 3 years the organisation (trustees, staff, service users, and volunteers) agree a set of objectives that set out how we will deliver our guiding principles. We organize the corporate objectives under 3 themes:

Passion	We are passionate about recovery and supporting people to achieve confidence in their recovery (Effectiveness)
Our Expertise	How we will ensure we have the skills and staff and volunteer commitment to deliver our ambitions (Efficiency)
Our Strength	Ensuring we maintain the financial strength and organisational effectiveness to deliver our ambitions (Economy)

We are able to deliver our purpose through such a wide variety of activities because we focus on the value for money our services deliver. Principles of value for money are embedded in our guiding principles, for instance our focus on being the best – 'being the best doesn't mean we want to be the biggest'.

Phoenix Futures operates in a very competitive market. Frequent retendering of services combined with cuts in funding at local authority level have created a very price sensitive market. The substance misuse sector is also one of the most regulated and monitored health and social care sectors. Outcome returns are provided to local authorities through National Statistics about Drug and Alcohol Misuse Treatment (NDTMS) that measure a myriad of outcomes. A real commitment to effective VfM is required if you are to be successful in this outcome driven price sensitive context.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (continued)

In 2018 we reviewed our Value for Money (VfM) approach and devised a new strategy. We have retained this set of measures in 2019 as they continue to reflect our regulatory requirements under the Value for Money Standard and Code set by the Regulator of Social Housing. Whilst we set out below our performance against the metrics set by the regulator we have also devised a set of balanced scorecard metrics that better reflect our purpose and values and beliefs.

The activity covered by the housing regulator amounts to a small percentage of the organisation income and activity however the VfM principles we use in our housing services reflect our overall organisational approach to Value for Money.

As a small housing association delivering specialist support to individuals with often high levels of need, we expect our unit costs to be higher than sector benchmarks.

- 84% of our housing stock is dedicated to providing supported housing; and
- The extent of support provided is driven by client need and costs vary from scheme to scheme. We are involved in tendering for services where support is required 24 hours per day and cannot therefore set targets for reduction of per unit costs as we envisage that they may increase as we increase our social return.

The metrics presented below for the year ended 31 March 2019 are compared to the results of the Charity and its subsidiary companies in the year to 31 March 2018 as the performance of the single entity in 2019 is comparable with the group in the prior year as explained in the Results for the year review in the Director's Report.

No	Metric	2018/19	2017/18	<u>Comment</u>
1	Reinvestment %	21.15%	3.69%	In 2018/19 we primarily invested substantial funds in the development of a 31-bed registered care facility in Scotland. Housing is a small part of the business.
2	New Supply Delivered %	23.49%	4.76%	The new supply delivered in 2018/19 constitutes a significant increase in percentage terms because of the development of a new registered care facility in Scotland and the acquisition of two 4-bed housing properties.
3	Gearing %	-146%	-186%	We do not have any debt financing or long-term loans associated with our properties; The metric covers our cash position over our fixed assets.
4	EBITDA MRI	400%	1079%	2017/18 relates to the unwinding of the discount on our multi employer defined benefit pension scheme. In 2018/19 the accounts show our net interest cost on defined benefit pension obligations In 2018/19 we invested substantial funds in residential facilities.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (continued)

No	Metric	2018/19	2017/18	<u>Comment</u>
5	Social Housing Cost Per Unit	£19,515	£16,057	In 2018/19 there was significant investment in our residential services reflecting a new strategy implementation in residential delivery and investment in refurbishment and fire retardancy furniture rating improvements. Particular investment was made in our Scottish registered care service in acquiring and refurbishing a new freehold property. There was also significant investment in the refurbishment of housing property and restructuring to some services to better meet particular local requirements.
6a	Operating Margin Social Housing Lettings	-16.70%	-16.83%	Operating margin metrics are significantly affected by registered care services' results which reflect market related funding issues. There has also been significant expenditure incurred in 2018/19 to refurbish housing stock and restructure some housing services to ensure that models continue to best meet requirements of clients.
6b	Operating Margin Overall	2.16%	2.68%	The margin has reduced due to the increased expenditure on housing and registered care refurbishment.
7	Return on Capital Employed	2.17%	23.69%	A significant investment was made in transitioning the existing Scottish Registered care service into newly acquired freehold premises and in implementing a new Registered care strategy across England in order to ensure compliance with CQC requirements and deliver quality improvements. Profit on disposal in 2017/18 increased ROCE.

Balanced Scorecard

In some of our priority delivery areas we are unique and no other comparator is available. We therefore took the decision in 2018 to devise our own Balanced Scorecard. The Scorecard has been designed to link our charitable purpose, our values and beliefs and strategic themes and operational delivery objectives. This is done by the creation of a balanced set of key performance indicators which enable us to track strategic performance against our targets.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Balanced Scorecard (continued)

The numbers presented below are an extract from our Balanced Scorecard. The information disclosed relates to all sectors of business provided by the Charity. The target metrics are still in development and will be available in the Charity's next accounts.

Extract from Balanced Scorecard		
Measure	2018/19 Outturn	2017/18 Outturn
Media Reach	1,460	1,964
Service User Satisfaction Rate	4	4
External - Regulatory & Assessment Score (CQC)	Good	N/A
Staff Engagement Score (Best Companies)	2 Star	1 Star
No. of service users supported through Charity Beds	64	46
No. of Tribunals	0	0
No. of volunteers	146	101

We are pleased to have made progress against our stakeholder targets. Phoenix's key stakeholders are the people who use our services and their family and carers, our commissioners and funders and the wider society and environment. Our media reach benefitted in 2017/18 from being the subject of a high profile BBC documentary. Following that high point our reach reduced in 2018/19. We are particularly pleased that our service user satisfaction rate and treatment improvement scores have remained stable in an environment of increasing complexity of client need and limited resources across the drug and alcohol treatment sector.

Our business process indicators remained strong and we are very pleased with our regulatory ratings for residential services. These services were rated for the first time in 2018/19. We have increased the number of charity beds offered, allowing people to enter treatment, who may ordinarily not be able to access residential care.

Our People indicators show strong engagement with our staff as measured by the Sunday Times Best Companies to Work For survey. We have significantly increased our volunteer numbers over the year.

Overall, we have maintained strong performance across the balanced range of measures and we will continue to develop this approach to performance measurement with a number of new initiatives in 2019/20.

Comparators/Sector Benchmarking

We do not believe we have any direct comparators to enable us to bench mark. We are the only provider of specialist substance misuse housing services in the UK market and do not operate general needs housing as other housing providers do.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Our funders

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

Amy Winehouse Foundation
Big Lottery Fund
City Bridge Trust
Essex Trailblazer
Fife ADP
Miss Agnes H Hunter's Trust
29th May 1961 Charitable Trust
Public Health England
The Sheffield Church Burgesses Trust
Souter Charitable Trust
Garfield Weston Foundation
Nineveh Charitable Trust
Marsh Christian Trust
Martin Geddes Charitable Trust
Open Gate Foundation
JTH Charitable Trust

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

Where fundraising activities are carried out the Charity monitors these activities via the Director of Marketing & Innovation. The Charity 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 Charity's fundraising activities during the year.

Approved by the Board of Directors on 26 September 2019 and signed on behalf of the Board by:



George Lambis
Company Secretary

PHOENIX HOUSE

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2019.

Results for the year

The Results for the year ended 31 March 2019 for the Charity are shown in the Statement of Comprehensive income on page 26. The comparative figures also refer to the results of the Charity only.

However, in the year to 31 March 2018 the Charity prepared consolidated financial statements to include the results of the Charity and its subsidiary companies including Foundation66. On 31 March 2018, the business and net assets of Foundation66 were hived up into Phoenix meaning that for the year ended 31 March 2019, Phoenix was operating individually with all trading in the parent entity.

The Directors present below their report analysing the results of the Charity for the year ended 31 March 2019 compared to the results of the Charity and its subsidiary companies in the year to 31 March 2018 as the performance of the single entity in 2019 is comparable with the operating of the group in the prior year.

The Charity generated an operating surplus of £397k (2018: Group £442k) as shown below.

	2019 £'000	2018 £'000
Turnover	18,417	16,516
Operating expenditure	(18,020)	(16,074)
Operating surplus	397	442

The reduction in public spending in recent years in the substance misuse sector has been significant. Contracts for services continue to be tendered in very competitive conditions as public spending continues to reduce and the Charity made a strategic decision to reduce reliance on such contracts and focus on full overhead recovery rather than high risk growth. In accordance with its new 3-year Corporate Plan which commenced in April 2017 the Charity therefore re-directed tender strategy away from high risk/low margin community services provision to areas in which it has strength and expertise such as prisons, residential services and housing.

As a result of this decision, Community services contracts income reduced in the last financial year by £1.25m (2018: reduction of £3.3m). However, Prison contract income increased during the same period by £2.4m (2018: reduction of £0.5m) thus compensating for the decrease in Community services income as the Charity won new contracts in Norfolk and Suffolk. Registered care and Housing income also increased last year compared to the previous year and as a result turnover increased from £16.5m to £18.4m.

The Board is particularly pleased with the Charity's growth in services and in its operating results as significant amounts of expenditure were invested in the Charity during the financial year. A significant investment was made in transitioning the existing Scottish Registered care service into newly acquired freehold premises and in implementing a new Registered care strategy across England in order to ensure compliance with CQC requirements and deliver quality improvements. Expenditure incurred in Registered Care and Housing property refurbishment, information technology, furniture & fittings and equipment, including fire retardancy rating upgrades and CQC related costs, was £718k compared to £322k in the previous year. In addition, the Board was pleased to approve a non-consolidated payment to staff for the first time in five years thus acknowledging staff contribution to the provision of quality services by the Charity.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Social Housing Pension scheme

The Charity participates in the Social Housing Pension Scheme (SHPS) as disclosed in Note 23.

In prior years, there was insufficient information available for an employer in SHPS to account for its obligations on a defined benefit (DB) basis i.e. by stating its assets and obligations. As a result, and as required by FRS 102, employers accounted for the obligation by stating the present value of agreed future deficit repayment contributions.

Sufficient information has now been made available by SHPS for an employer participating in SHPS to account for its obligations on a DB basis.

The Charity is therefore accounting for its DB pension obligation in SHPS for the first time in these accounts. The present value of its DB obligation at 31 March 2019 was £8.794k (2018: Defined Contribution obligation £4,888k).

In arriving at its obligations on DB basis at 31 March 2019, the opening liability in the balance sheet as at 1 April 2018 was revised upwards by a 'catch up adjustment' of £2,589k. A further amount of £1,929k has been accounted for in the year to 31 March 2019 as an actuarial loss on the DB liability and included in the Statement of Other Comprehensive Income (page 26).

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

Principal risks and uncertainties

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 Charity:

- Agreed a new Corporate Strategy which commenced in April 2017; this sets the focus and vision for the organisation for a 3-year period. The Board is pleased with progress against the plan and the Charity is well positioned to complete its targets and aspirations. 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
- Regularly reviews its Risk Assurance Framework and risk map. The risk map focuses on risks that will prevent the organisation from delivering its strategic objectives and therefore its purpose. A heat map approach identifies the high, medium and low risks and the risk register then identifies the controls and mitigations to reduce risk. Such risks include changes in government drug policy changing priorities and impacting funding, changing requirements relating to quality standards from Care Quality Commission and Scottish Care Inspectorate, increases in historic pension shortfalls requirements and the impact of increased voids on utilisation performance
- Agreed a detailed risk map to deal with the eventualities arising from the exit from the EU with both a planned deal and an unplanned exit. The Board is satisfied with the mitigations and actions incorporated in the risk map

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

The result of the Referendum on the UK's participation in the European Union and the subsequent Election continues to create significant political and economic uncertainty. The reduction in funding to the sector continues with an estimated reduction of approximately 28% of funding levels as they were in 2012.

The Government launched its new Drugs strategy in July 2017. However, the political distraction of Brexit negotiations has meant reduced national attention from Government on implementing vital measures to reduce the harms caused by substance misuse and improve recovery outcomes for people in addiction. For example, the measures in the 2017 Drug Strategy to monitor the effectiveness and reach of local commissioning approaches have yet to be implemented.

The Charity has welcomed strategies in Rough Sleeping Homelessness and a Prison Drug Strategy all of which set out a clear articulation of the causes and consequences of problematic substance misuse and demonstrates a coherent strategic intent to address the issues.

We were pleased to be invited to give evidence to the Health and Social Care Select Committee Inquiry into Drugs to explain the impact of the current political and economic situation on drug and alcohol treatment.

Although political uncertainty and reductions in public expenditure in Scotland are as significant, 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 so that it can respond effectively to market conditions and build on the success of its service models.

During the year ended 31 March 2019 the Charity invested in its services in Scotland by acquiring a freehold interest in Glasgow from which it will operate its registered care services. The new service opened in August 2018 and sets a new standard in residential care.

The Scottish Government launched its Drug Strategy in November 2018. The Board is pleased to see that many of the concerns and priorities raised by the Charity through the consultation were addressed in the strategy and we look forward to working with the Government to realise their ambitions.

Future Prospects

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.

Phoenix Futures is a financially robust value-driven charity 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 and its quality frameworks demonstrate its ability to innovate and deliver excellence.

The Board carries out regular reviews of the Charity's financial results during the year and reviews financial viability via detailed budgets and quarterly forecasts which are prepared on the basis of prudent underlying assumptions in the context of the Risk Map and the current economic and political environment. The Board also regularly reviews medium-term financial plans based on specific assumptions aligning corporate strategy with projected financial results which provide comfort to the Board regarding the Charity's financial strength.

The Board believes that operating conditions will continue to be difficult but it expects that the Charity will continue to seize opportunities increasing its market share in specific sectors of business within a diminishing market. The Charity aims to focus on developing its Prisons business and on its Housing Strategy as it is the only Registered Provider with substance misuse expertise.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Financial risk management

The Charity's operations expose it to a variety of financial risks that include the effects of changes in cashflow and price risk. The Charity has in place a risk management programme that seeks to limit the adverse effects on its financial performance by monitoring levels of debt and applying its procurement policy to purchasing. The Charity 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 Charity's finance department.

Cash flow risk

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

Price risk

The Charity 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 Charity 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 surplus or deficit of the Charity 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 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.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

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.

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS

The Board reviewed the Charity's compliance with the governance and financial viability standard in September 2019. No areas of non-compliance were identified.

The Board has adopted the 2016 NHF Code on Governance. The Charity complies with the Code.

Good Governance

A clear strategic framework is deeply embedded in the organisation and aligns purpose to objectives and workplans across each tier and within each department.

The budget is set with reference to the objectives and following a Board strategic review – ensuring resources align to corporate objectives.

The organisation has assessed itself against the National Housing Federation's Governance Code and has determined that it complies in all areas of the code. As a charity the organisation is also assessing itself against the Charity Commission Code of Governance and aims to achieve full compliance with the code.

Internal Control

The Board has overall responsibility for establishing and maintaining the system of internal control for the Charity 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.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS (continued)

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 2018-19 and confirmed that there is an ongoing process for identifying, evaluating and managing significant risks faced by the charity.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS (continued)

Disclosure of information to the auditor

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 Charity'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 Charity'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 (Vice-Chair)
Mrs Dorothy Brown
Mr James Cook (Resigned 13 September 2018)
Dr Karim Dar
Ms Susan Ellenby
Mr Mike Ewart
Ms Anne Hooper (Resigned 13 September 2018)
Dr Susan Kinnaird (Chair)
Ms Emanuele Labovitch
Mr Iain McGourty
Mr Ian Watson

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.

Auditor

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

Approved by the Board of directors on 26 September 2019
and signed on behalf of the Board by



George Lambis
Company Secretary

Registered number 1626869

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

We have audited the financial statements of Phoenix House (the Charity) for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2019 and of its surplus 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
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The board members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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 Strategic Report and the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charity and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and sufficient accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Director's responsibilities statement in respect of the financial statements set out on page 19 and 20, the Board members (who are also directors of the Charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's members as a body, and the Charity's board members as a body for our audit work, for this report, or for the opinions we have formed.

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

30/9/19

PHOENIX HOUSE

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	18,417	15,472
Operating expenditure	2	(18,020)	(14,523)
Operating surplus	2	397	949
Loss on disposal of fixed assets		-	(1)
Write-off investment in subsidiary	10	-	(4,845)
Fair value donation	10	-	6,421
Interest receivable	6	75	39
Interest and financing costs	7	(184)	(48)
Surplus for the financial year	8	288	2,515
Other Comprehensive Income			
SHPS transitional amount	23	(2,589)	-
Actuarial loss on defined benefit pension liability	23	(1,929)	-
Total comprehensive income for the financial year		(4,230)	2,515

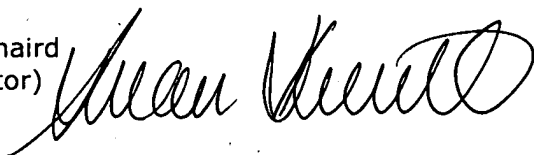
PHOENIX HOUSE

STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2019

		2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets - housing properties	11	6,568	5,281
Other tangible fixed assets	12	1,144	1,274
		<hr/>	<hr/>
		7,712	6,555
Current assets			
Debtors	13	2,288	2,198
Cash and cash equivalents		10,884	12,162
		<hr/>	<hr/>
		13,172	14,360
Creditors: amounts falling due within one year	14	(2,575)	(3,039)
		<hr/>	<hr/>
Net current assets		10,597	11,321
		<hr/>	<hr/>
Total assets less current liabilities		18,309	17,876
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	15	1,327	5,434
Provisions for liabilities and charges			
Provisions for liabilities	16	116	140
Defined benefits pension liability	23	8,794	-
Capital and Reserves			
Share capital	18	-	-
Revenue reserve	19	8,072	12,302
		<hr/>	<hr/>
		18,309	17,876
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board of Directors on 26.. September 2019 and were signed on its behalf by:

S. Kinnaid
(Director)



I. Watson
(Director)



PHOENIX HOUSE

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
for the year ended 31 MARCH 2019

	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2018	-	12,302	12,302
Surplus for the year	-	288	288
Other Comprehensive income			
- SHPS transitional adjustment	-	(2,589)	(2,589)
- Actuarial movement on defined benefit pension scheme in the year	-	(1,929)	(1,929)
Total comprehensive income	-	4,230	4,230
At 31 March 2019	-	8,072	8,072

	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2017	-	9,787	9,787
Surplus from Statement of Comprehensive Income	-	2,515	2,515
At 31 March 2018	-	12,302	12,302

PHOENIX HOUSE

STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Net cash generated from operating activities	A	119	5,600
Cash flow from investing activities			
Interest received		75	39
Grant received		-	192
Purchase of tangible fixed assets		(1,472)	(239)
Net cash (used in)/generated from investing activities		(1,397)	(8)
Net (decrease)/increase in cash and cash equivalents		(1,278)	5,592
Cash and cash equivalents at beginning of year		12,162	6,570
Cash and cash equivalents at end of year	B	10,884	12,162

PHOENIX HOUSE

**NOTES TO THE STATEMENT OF CASHFLOWS for the year ended
31 MARCH 2019**

**A RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW
FROM OPERATING ACTIVITIES**

	2019 £'000	2018 £'000
Surplus for the year	288	2,515
Interest receivable and similar income	(75)	(39)
Interest payable and similar charges	184	48
Write off investment in Subsidiary	-	4,845
Transfer of Assets in Subsidiary	-	(1,643)
Loss on disposal of tangible fixed assets	(10)	-
Depreciation charge on tangible fixed assets	305	172
(Decrease)/Increase in debtors	(90)	185
Increase in creditors	326	134
Decrease in provisions	(24)	(6)
Movement in pension liability	(805)	(611)
	<hr/>	<hr/>
Net cash inflow from operating activities	119	5,600
	<hr/>	<hr/>

B CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash at bank and in hand	10,884	12,162
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019

1 Accounting policies

General information

The Charity is a private Company limited by guarantee and incorporated in the United Kingdom under the Companies Act 2006. The Charity is also a registered charity and a Registered Provider of Social Housing registered with the Regulator of Social Housing. A description of the nature of the Charity's operations and its principal activity is disclosed in the Strategic Report on page 4.

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

The Charity meets 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).

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 Charity's 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 Charity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Identification of housing property components

The Charity 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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

1 Accounting policies (continued)

Key sources of estimation uncertainty and judgements (continued)

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.

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.

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 2019 was £2,572k (2018: £2,393k).

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. The accumulated amortisation at 31 March 2019 was £18k (2018: £26k)

Bad debt provision

The trade debtors balance of £1,250k (2018: £1,199k) is recorded in the Charity'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 2019 was £26k (2018: £nil).

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

1 Accounting policies (continued)

Key sources of estimation uncertainty and judgements (continued)

Multi-employer pension obligation

Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation, salary growth and mortality rates. The Pensions Trust provided base assumptions which the Charity has reviewed for accuracy and appropriateness to us as an organisation. In determining the appropriate discount rate, consideration is made of the interest rates of corporate bonds with at least an AA rating. Inflation is set by considering market expectations, salary growth is set by aligning with the Charity's business plan and mortality rates have been adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The value of the provision is highly sensitive to relatively small changes in these assumptions. Management have concluded that it was not necessary to adjust the base assumptions used in the scheme for the 2018/19 financial year. A liability of £8,974k is recorded the statement of financial position at 31 March 2019.

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 Income Statement in the year of 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 Charity less depreciation.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

1 Accounting policies (continued)

Tangible Fixed assets (continued)

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

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 Income Statement 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 Charity 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 Charity 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.

1 Accounting policies (continued)

Financial Instruments (continued)

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 Charity transfers to another party substantially all the risks and rewards of ownership of the financial asset, or,
- the Charity, 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 derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Charity 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.

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 Income Statement 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.

1 Accounting policies (continued)

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 Homes England, 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 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, Homes England 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 Charity, 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.

1 Accounting policies (continued)

Provisions

Provisions for liabilities and charges are recognised when the Charity 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.

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 Charity 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 Income Statement 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 Charity 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 Charity 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 Charity 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.

1 Accounting policies (continued)**Revenue Reserves**

It is the policy of the Charity to maintain the equivalent of 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.

Pension scheme*Defined benefit*

The Charity has material obligations under a defined benefit pension scheme, the Social Housing Pension Scheme (SHPS). In the Statement of Financial Position, the assets of the scheme are measured at fair value and the liabilities are measured on an actuarial basis, discounted at a rate equivalent to yields on "high quality" corporate bonds of appropriate duration and currency, or a suitable proxy. The resulting net asset or liability is then presented separately on the face of the balance sheet as a provision. Current service costs and net financial returns are included in the Income Statement in the period to which they relate. Any actuarial gains or losses for the year are taken to the Statement of Other Comprehensive Income.

For financial years ending on or before 28 February 2019, it was not possible for the Charity to obtain sufficient information to enable it to fully account for the Social Housing Pension Scheme as a defined benefit scheme, therefore the Charity had accounted for the scheme as defined contribution scheme including accruing for known contractual obligations to fund the past service deficit. For financial years ending on or after 31 March 2019 it is possible to obtain sufficient information to enable the Charity to account for the Scheme as a defined benefit scheme; therefore, these financial statements present a period of transition, where the Charity is moving from one basis of accounting to another. The adjustment to reflect additional liabilities recognised as a result of the adoption of the new basis of accounting is charged to reserves and reflected in the Statement of Other Comprehensive Income. This transition is outlined in more detail in note 23.

Growth Plan

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 are 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.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

2A Particulars of turnover, operating costs and operating surplus/(deficit)

	Turnover	2019 Operating costs	Operating surplus /(deficit)	Turnover	2018 Operating costs	Operating surplus /(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing lettings (note 2B)	5,508	(6,428)	(920)	3,855	(4,253)	(398)
Other Social housing activities						
Revenue grants	6,343	(5,898)	445	7,350	(6,642)	708
Charitable donations and sundry income	209	(223)	(14)	192	(175)	17
	12,060	(12,549)	(489)	11,397	(11,070)	327
Non-social housing activities	6,357	(5,471)	886	4,075	(3,453)	622
Total	18,417	(18,020)	397	15,472	(14,523)	949

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)

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

	Residential care homes £'000	2019 Supported housing £'000	Total £'000	2018 Total £'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	3,199	1,783	4,982	3,671
Service charge income	-	417	417	124
Other revenue grants	100	9	109	60
Turnover from social housing lettings	3,299	2,209	5,508	3,855
Expenditure on social housing lettings				
Management	1,153	643	1,796	1,391
Service charge costs	624	298	922	499
Routine maintenance	124	250	374	48
Depreciation of housing properties	77	69	146	41
Staff costs	1,342	601	1,943	1,254
Property lease charges	133	360	493	409
Resident costs	512	80	592	465
Other costs	84	78	162	146
Operating costs on social housing lettings	4,049	2,379	6,428	4,253
Operating (deficit) on social housing lettings	(750)	(170)	(920)	(398)
Rent losses from voids (included in rent receivable above)	400	383	783	965

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.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

3	Directors' emoluments	2019 £'000	2018 £'000
	All Directors:		
	Aggregate emoluments	440	407
	Pension contributions	19	17
		<hr/>	<hr/>
		459	424
		<hr/>	<hr/>
	Highest paid Director*:		
	Aggregate emoluments (excluding pension contributions)	115	105
	Pension contributions	7	6
		<hr/>	<hr/>
		122	111
		<hr/>	<hr/>

*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 contribution salary scheme in which the Charity participates. Further details are given in note 23. No special terms or conditions apply to her membership. During the year pension contributions of £7,085 (2018: £6,239) 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:

	2019 No.	2018 No.
Permanent staff - full time equivalent (number)	411	362
Sessional staff - full time equivalent (number)	11	11
	<hr/>	<hr/>
Total employed by FTE	422	373
	<hr/>	<hr/>
Total employed by Headcount	495	430
	<hr/>	<hr/>

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

4 Employee information (continued)

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

	2019 No.	2018 No.
£110,001-£120,000	1	1
£100,001-£110,000	-	-
£90,001-£100,000	1	-
£80,001-£90,000	-	1
£70,001-£80,000	3	4
£60,001-£70,000	-	-
	<u>5</u>	<u>6</u>

5 Staff costs

	2019 £'000	2018 £'000
Wages and salaries	11,645	9,732
Compensation for loss of office	50	9
Social security	1,062	895
Pension costs	1,240	835
	<u>13,997</u>	<u>11,471</u>

6 Interest receivable

	2019 £'000	2018 £'000
Bank interest receivable	75	39
	<u>75</u>	<u>39</u>

7 Interest and financing costs

	2019 £'000	2018 £'000
Unwinding of discount on defined contribution pension scheme liability	1	48
Net interest cost on defined benefit pension obligations	183	-
	<u>184</u>	<u>48</u>

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

8	Surplus for the year	2019 £'000	2018 £'000
	The surplus is stated after charging/(crediting):		
	Depreciation of housing properties	102	106
	Depreciation of tangible fixed assets	203	249
	Operating lease rentals payable:		
	- Land and buildings	272	353
	Write off investment in subsidiary	-	4,845
	Fair value donation	-	(6,421)

9	Auditor's remuneration (excluding VAT)	2019 £'000	2018 £'000
	Fees payable to the Charity's auditor for the audit of the annual financial statements	30	29
	Fees payable to the Charity's auditor and its associates for other services to the Charity:		
	- Taxation advisory services	2	11
	- Other services	-	7

10 Exceptional item

In the 2018 Statement of Comprehensive Income charity recognised a donation of £6,421k which represented the fair value of the assets and liabilities of Foundation66. At the same time the Charity impaired its investment in Foundation66 and recognised an impairment charge of £4,845k.

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

11 Housing properties	Freeholds	Short Leaseholds	Total
	£'000	£'000	£'000
Cost			
At 31 March 2018	5,982	194	6,176
Additions	1,389	-	1,389
Disposals	-	(88)	(88)
At 31 March 2019	7,371	106	7,477
Depreciation			
At 31 March 2018	701	194	895
Charge for year	102	-	102
Disposals	-	(88)	(88)
At 31 March 2019	803	106	909
Net book value			
At 31 March 2019	6,568	-	6,568
At 31 March 2018	5,281	-	5,281

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 2019 was 324 (2018: 335).

158 bed spaces (2018: 209) were managed by the Charity but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

12 Other fixed assets	Long leasehold investment £'000	Leasehold property improvements £'000	Office furniture & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 March 2018	508	785	1,174	305	2,772
Additions	-	-	83	-	83
Disposals	-	-	(48)	-	(48)
At 31 March 2019	508	785	1,209	305	2,807
Depreciation					
At 31 March 2018	40	177	996	285	1,498
Charge for year	10	94	82	17	203
Disposals	-	-	(38)	-	(38)
At 31 March 2019	50	271	1,040	302	1,663
Net book value					
At 31 March 2019	458	514	169	3	1,144
At 31 March 2018	468	608	178	20	1,274

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

13 Debtors

	2019 £'000	2018 £'000
Arrears of charges to statutory bodies and others	202	230
Amounts due from contractual income	1,048	969
	<u>1,250</u>	<u>1,199</u>
Less provision for bad debts	(26)	-
	<u>1,224</u>	<u>1,199</u>
Other debtors	26	27
Prepayments and accrued income	1,038	972
	<u>2,288</u>	<u>2,198</u>

14 Creditors: amounts falling due within one year

	2019 £'000	Restated 2018 £'000
Trade creditors	571	549
Payments in advance	273	225
Other creditors including taxation and social security costs	579	272
Accruals, deferred income and grants received in advance	863	908
Recycled capital grant fund (note 17)	279	279
Multi-employer pension scheme (note 23)	10	806
	<u>2,575</u>	<u>3,039</u>

The 2018 creditors falling due within one year and after more than one year have been restated to reflect the correct aging of amounts included within the recycled capital grant fund.

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

15 Creditors: amounts falling due after more than one year

	2019 £'000	Restated 2018 £'000
Deferred grants	986	992
Multi-employer pension scheme (note 23)	47	4,148
Recycled capital grant fund (note 17)	294	294
	<hr/>	<hr/>
	1,327	5,434
	<hr/>	<hr/>

The Charity has historically recognised housing properties acquired at fair value and the associated government social housing grant, under the performance model of accounting. £980k (2018: £974k) is therefore potentially recyclable on disposal.

16 Provisions

Onerous leases and dilapidations

	2019 £'000	2018 £'000
At 1 April	140	146
Movement in provision	(24)	(6)
	<hr/>	<hr/>
As at 31 March	116	140
	<hr/>	<hr/>

17 Recycled capital grant fund

	2019 £'000	2018 £'000
Balance at 1 April	573	279
Inputs to fund:		
- Recycled on disposal	-	294
	<hr/>	<hr/>
Balance at 31 March	573	573
	<hr/>	<hr/>
Amount due for repayment to Homes England (due within one year)	279	279
	<hr/>	<hr/>

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

18 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.

19 Reserves

Revenue reserve

The revenue reserve represents cumulative profits and losses.

20 Incorporation

The Charity is registered with the Regulator of Social Housing 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.

21 Leases

	2019 £'000	2018 £'000
For leases expiring:		
Within one year	221	267
Between two and five years	51	86
After five years	-	-
	<hr/>	<hr/>
	272	353
	<hr/>	<hr/>

22 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.

23 Pension Scheme Arrangements

The Charity's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme (SHPS). The Charity also participates in the Growth Plan. Further information on these defined benefit schemes are given below.

The Charity also contributes to a Defined Contribution scheme with SHPS which has 361 (2018: 297) active members.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

23 Pension Scheme Arrangements (continued)

Social Housing Pension Scheme ("SHPS")

The Charity participates in the Social Housing Pension Scheme ("the Scheme"). The Scheme is funded and is contracted out of the state scheme. The scheme is a multi-employer scheme which provides benefits to some 500 non-associated employers.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Charity 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.

Previously, the administrator of the scheme was unable to allocate the scheme assets to individual employers, and hence was unable to determine the deficit attributable to each employer. As a result, historically SHPS has been accounted for as a defined contribution scheme, with a liability being recognised in respect of the present value of the contributions payable to fund the deficit. This is consistent with the accounting treatment required by FRS 102 for all schemes of this nature. Although this treatment continues to apply for the Growth Plan and other multi-employer schemes that exist, the accounting for SHPS has changed for the year ended 31 March 2019. The change has arisen as a result of a method of allocation being developed by the administrator that will allow each employer to recognise their share of assets and liabilities.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

These financial statements present a period of transition, where the Charity is moving from one basis of accounting to another. In March 2019 following completion of a consultation by the Financial Reporting Council (FRC) in the form of Financial Reporting Exposure Draft 71 (FRED 71), proposed changes to FRS 102 were issued in relation to this. These proposed changes have now been confirmed with an updated version of FRS 102, "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland Multi-employer defined benefit plans May 2019" ("May 2019 FRS 102"), which the Charity has chosen to adopt for the year ended 31 March 2019 in line with industry peers, and associated guidance issued by the National Housing Federation (NHF). Adopting FRED 71 results in no restatement of the comparatives and instead the change in accounting treatment being recorded as a separate movement through other comprehensive income.

Historic pension deficit contributions of £555k are payable by the Charity for the year ended 31 March 2020.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

23 Pension Scheme Arrangements (continued)

Pension scheme liabilities recognised in the Statement of Financial Position

	2019 £'000	2018 £'000
Pension obligations recognised as Defined Benefit schemes	8,794	-
Defined contribution schemes:		
-Social Housing Pension Scheme	-	4,888
-Growth Plan	57	66
As at 31 March	8,851	4,954

Principal actuarial assumptions at the financial position date:

	2019 £'000	2018 £'000
Discount rate	2.33	2.58
Rate of inflation (RPI)	3.28	3.10
Rate of inflation (CPI)	2.28	2.18
Salary growth	3.28	3.18
Allowance of commutation of pension for cash at retirement	75% of Maximum Allowance	75% of Maximum Allowance

The mortality assumptions applied at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

Amounts recognised in the Income Statement

	2019 £'000
Net interest on defined benefit liability	183
Expenses paid	34
	217

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

23 Pension Scheme Arrangements (continued)

Amounts recognised in Other Comprehensive Income	2019 £'000
Experience on plan assets	366
Experience gains arising on plan liabilities	27
Effects of changes in demographic assumptions underlying the present value of scheme liabilities	(95)
Effects of changes in financial assumptions underlying the present value of scheme liabilities	(2,227)
	<hr/>
	(1,929)
Transition adjustment	(2,589)
	<hr/>
	(4,518)
	<hr/>

Statement of Financial Position

	2019 £'000	2018 £'000
Fair value of plan assets	25,356	24,134
Present value of defined benefit obligations	(34,150)	(31,611)
	<hr/>	<hr/>
Net liability	(8,794)	(7,477)
	<hr/>	<hr/>

Reconciliation of movements on the defined benefit obligation

	2019 £'000
Defined benefit obligation at the start of the period	31,611
Administration cost	34
Interest expense	808
Actuarial (gains) and losses	2,295
Benefits paid	(598)
	<hr/>
Defined benefit obligation at the end of the period	34,150
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

23 Pension Scheme Arrangements (continued)

Reconciliation of movements on the fair value of plan assets

	2019 £'000
Fair value of plan assets at the start of the period	24,134
Interest income	625
Contributions by the employer	829
Experience on plan assets	366
Benefits paid	(598)
	<hr/>
Fair value of plan assets at the end of the period	25,356 <hr/>

The actual return on the plan assets over the period ended 31 March 2019 was £991,000.

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

Categories of assets held by the Plan

	2019 £'000	2018 £'000
Equity	4,266	4,767
Bonds	12,579	11,866
Property and infrastructure	2,274	1,730
Absolute return	2,194	2,948
Alternative risk premia	1,462	915
Insurance linked securities	727	634
other	1,854	1,274
	<hr/>	<hr/>
	25,356	24,134 <hr/>

Growth Plan

The Charity participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Charity 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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019
(continued)**

23 Pension Scheme Arrangements (continued)

Growth Plan (continued)

The scheme is classified as a 'last-man standing arrangement'. Therefore the Charity 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 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2019 to 31 January 2025: £11,243,000 per annum (payable monthly and increasing by 3% each on 1 April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m.

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.

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

Present value of provision	2019 £'000	2018 £'000
As at 31 March	57	66

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2019 (continued)

23 Pension Scheme Arrangements (continued)

Growth Plan (continued)

Reconciliation of opening and closing provisions	2019 £'000	2018 £'000
Provision as at 1 April	66	75
Unwinding of the discount factor	1	-
Deficit contributions paid	(8)	(8)
Impact of changes in assumptions	(2)	(1)
As at 31 March	57	66

Assumptions	2019 % per annum	2018 % per annum
Rate of discount	1.39	1.71

The discount rate 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.

24 Ultimate controlling party

There is no ultimate controlling party.

25 Related party transactions

During the year, the Charity received a £10k donation from a Board member, (2018: £10k).

Key Management personnel	2019 £'000	2018 £'000
Remuneration paid to Key Management Personnel were:		
Remuneration (as per note 3)	459	424
Employer's social security costs	55	50
	514	474