Phoenix House
(Trading as Phoenix Futures)

Report and Financial Statements
for the year ended

31 March 2023

Company's Registered Number 1626869

Office of the Scottish Charity Regulator Registered Number SC039008

PHOENIX HOUSE

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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PHOENIX HOUSE

DIRECTORS AND ADVISERS

DIRECTORS	Dr Susan Kinnaird (Chair - Resigned 8th December 2022) Mr Richard Hill (Chair - Appointed 8th December 2022) Professor Annie Bartlett (Vice-Chair) Sheriff David Nicol Mackie Mrs Dorothy Brown Ms Emanuele Labovitch Dr Francis Keaney Ms Helen Wollaston Mr Iain McGourty Mr Ian Watson Dr Simon Street (Appointed 29th September 2022) Ms Susan Ellenby (Resigned 8th December 2022)
SENIOR MANAGEMENT	Ms Karen Biggs (Chief Executive) Mr Anthony Pearson (Director of People & Culture) Mr Christen Williams (Director of Operations) Ms Emma Goodes (Director of Finance & IT) Mr James Armstrong (Director of Marketing & Innovation) Mrs Kirstan Butler (Strategic Initiatives Director)
REGISTERED OFFICE	Phoenix House 68 Newington Causeway London SE1 6DF
BANKERS	Barclays Bank plc Level 27 1 Churchill Place London E14 5HP
AUDITOR	CLA Evelyn Partners Ltd 45 Gresham Street London EC2V 7BG
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

Chair of Phoenix Futures

It is a great privilege to have joined the Phoenix Futures Board of Trustees this year, and it is my pleasure to thank Susan Kinnaird, my predecessor as Chair, for her commitment to Phoenix over the last six years and particularly for supporting the charity to navigate through Covid.

It is an exciting time for Phoenix as we emerge from the impact of the pandemic in good health, and with great potential to grow and develop our service offer.

This year has seen the completion of our 2020-2023 strategic plan Sustainable Recovery. Despite the obvious and necessary refocus through the pandemic the charity has been able to achieve much of what it set out to achieve in this plan.

This has meant developing new services to address unmet need including our new family service in Scotland (Harper House), and our new residential service in Derby (New Oakwood Lodge) that supports people with co-existing mental health and substance misuse problems.

During the course of the year, we also welcomed The Ley Community in Oxford to the Phoenix Group, and we are developing plans to launch a new specialist women's service this year.

We are proud that our work on stigma has continued through the life of this plan. Our staff survey results tell us that speaking out against stigma and the inequality people and communities face in accessing lifesaving treatment is important to us at Phoenix and something we will continue to do.

With the support of our Clinical Governance Subcommittee the Board is continuing to focus on what we as a charity can do to prevent people from dying from a treatable condition.

The title of the last strategy 'Sustainable Recovery' reflected our decades' long commitment to environmental work. We have over the course of this strategy reduced our carbon output and achieved net zero.

We have reviewed our approach to Diversity Equity and Inclusion, understood where we needed to do more and set out an action plan to help different communities be part of our workforce and access our services. This work will continue to be a strategic priority for the Board.

I would like to thank Sue Ellenby who stepped down from the Board this year after serving a maximum term. As the Chair of Foundation 66 Sue supported the merger between our two organisations in 2013.

Looking to the future, the Board were pleased to approve our new three-year strategy 'Making Hope a Reality' in March of this year. It is informed by our recent, successful work and reflects our strengths, but it also shows where we know we need to and want to do more. Setting such an ambitious set of objectives clearly demonstrates that Board has confidence in the ability of our executive team and our colleagues to deliver.

Finally, on a personal note, I would like to thank my fellow trustees for their welcome and their continued good sense and advice, and on behalf of all of the Trustees, to thank our colleagues – both staff and volunteers – across Phoenix for their continuing commitment and hard work.

RHill
Richard Hill (Aug 2, 2023 13:15 GMT+1)

Richard Hill
Chair of Trustees Phoenix Futures Group 02/08/2023

PHOENIX HOUSE

STRATEGIC REPORT

The Directors present their Strategic report for Phoenix House Limited ("the Charity" or "Phoenix Futures") and its subsidiary company (together "the Group") for the year ended 31 March 2023.

This year we directly supported over 17,000 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 specialist treatment to people with co-existing mental health and drug and alcohol treatment needs
- We deliver services in prison and the community to individuals experiencing problematic drug and alcohol use
- We are the largest state-funded provider of residential rehabilitation services for people with substance use issues
- We are the only specialist substance use 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
- We deliver a range of environmental sustainability initiatives across the UK that help protect the environment and increase the health and wellbeing of our staff, the people who use our services and the wider community

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 the people that use our services, staff and stakeholders. We use them to help us make decisions and to ensure the way we behave as individuals, and collectively, meet our expectations and the expectations of those we seek to support.

Our Purpose

Phoenix Group 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 more than 50 years and use that wealth of knowledge to create a bright and brilliant new future for those in need of hope today.

STRATEGIC REPORT (continued)

- We believe in being the best

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

Our Services

Residential Rehabilitation Services

We provide five specialist residential rehabilitation services across the UK and are the largest state-funded provider of residential rehabilitation services for people with substance use issues.
We are committed to delivering high quality services that meet unmet needs and provide the very best services as efficiently and effectively as we can. We continue to invest in the quality and range of all our residential services. We are delighted to have recently opened a new family rehab in the West of Scotland in partnership with the Scottish Government. This is a new model of service for Scotland and provides an opportunity for families affected by addiction to stay together. In addition, we have recently opened a residential service in Derby that provides for people with co-existing mental health and substance use problems.

Criminal Justice Services

Phoenix delivers services in 11 secure settings in England. We also deliver innovative community-based criminal justice services in Essex that maximise input from the community to meet the multiple disadvantages faced by people who use our services and promote long term recovery and crime reduction.

Psychosocial Provision in the Community

Our community services work in partnership with a range of national and local 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 use clinical expertise. Over the last year we have continued to build on the innovative services we offer across Derby, Derbyshire, North Lanarkshire and Essex to provide for people who might otherwise struggle to access care.

Housing Services

Our housing services adopt a specialist approach in meeting the housing needs of people in treatment and recovery. A number of factors including the housing crisis in parts of the UK, structural barrier to housing 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 at risk for people seeking a stable home to build their futures. A safe home is the foundation of long-term recovery. Our housing services play a vital role in helping us to deliver our purpose; we currently have 176 housing units for people in treatment or recovery of which we own 72 which constitutes 41%.

Phoenix Scotland

In Scotland we deliver a range of psychosocial services, including two residential services, supported housing, peer mentoring service and a community service in Lanarkshire. We are very pleased to have opened an innovative new family residential treatment service in the west of Scotland. This major new project is being developed in association with Scottish Government and North Ayrshire Local Authority and provides for families across Scotland.

STRATEGIC REPORT (continued)

The new residential treatment service in the North East of Scotland will confirm our place as a leading provider of residential treatment in Scotland.

Acquisitions

On the 23rd September 2022, Phoenix agreed with The Ley Community Drug Services, a company with similar charitable objects, to join together to develop a new residential treatment on the grounds of The Ley Community in Oxford. The service will build on the two organisations' common history of delivering the Therapeutic Community model. Phoenix and The Ley Community are pioneers in residential treatment in the UK and we are colleagues in the European Federation of Therapeutic Communities.

It was agreed to make The Ley Community a subsidiary company of Phoenix Futures. The Ley Board continue to act as trustees for The Ley subsidiary and report to the Phoenix UK Board. The length of trustee tenure and appointment of future trustee is aligned with Phoenix. As described above, the results of the combined group have been presented in these consolidated financial statements.

Our Strategic Achievements 2022-23

The last year has been the final year of our 2020 to 2023 strategy sustainable recovery.

The principles guiding our Sustainable Recovery Strategy

Our Strategy Sustainable Recovery had three strands:

- **We deliver services that sustain recovery**. That means we will develop more specialist evidence-based approaches to treatment and recovery, that use our expertise and experience in psychosocial treatment and accommodation-based treatment. We will keep quality at the heart of what we do.

- **We are a charity that has the skills and resources to sustain delivery**. That means supporting people to develop in their role and in their career, making processes easier to follow and finding approaches that make us more efficient, leaving more time to focus on delivery of our purpose.

- **We are people that make a sustainable difference in the world we live in,** by continuing to tackle stigma and discrimination that limits life and opportunity for people who use our services and making environmental sustainability a core organisational competence and sharing our learning with others.

Services that sustain recovery

- Developed our housing approach to support a broader range of needs in a safe environment
- Built on our report "Making Rehab Work", to support the development of residential treatment across England and Wales
- Developed our community-based services to better support people facing multiple disadvantages
- Begun evaluation of the implementation of a Phoenix Outcome Tool (RADAR) to better monitor service user outcomes and service impact
- Developed two new residential services – Harper House Family Service in Scotland and New Oakwood Lodge residential service in Derby that support people with co-occurring mental health and drug and alcohol treatment needs. Both services fill gaps in treatment provision in England and Scotland.

STRATEGIC REPORT (continued)

Our Strategic Achievements 2022-23 (continued)

Skills and resources to sustain recovery

- Developed a new Equality and Diversity, Inclusion Strategy with both a service delivery and workplace focus
- Delivered a wide range of staff and volunteer wellbeing initiatives responding to the cost-of-living crisis
- Developed new approaches to remote delivery of community-based support to improve access to support
- Delivered enhanced mental health assessment and support across our residential treatment services with particular focus on our Derby-based specialist residential service New Oakwood Lodge
- Publicly launched our new Drug Related Deaths strategy ’Hope and Opportunity’ to ensure our practise provides optimum protection for people in treatment

People that make a sustainable difference in the world

Our Environmental Sustainability Strategy delivered excellent outcomes

- Achieving carbon neutral in first year of strategy
- Creation of a group of Environmental Sustainability champions generating a high level of staff awareness of the strategy - 85% of staff are committed to our Environmental Sustainability work
- Development of a home grown produce approach across the residential services
- Development of the Shipley Park project to support our partnerships and the development of our home-grown approaches
- Developed a ‘beyond carbon’ approach to water sustainability on two sites
- Embedded our sustainability approach in our staff wellbeing approach

Phoenix have campaigned to address the stigma and discrimination that affects people who experience addiction. We continue to support major national Anti-Stigma campaigns Taking Action on Addiction and the NHS Addiction Provider Alliance. In partnership with like-minded organisations, we have brought together a network of Anti-Stigma organisations to create a national long-term campaign.

‘Making Hope a Reality’ – Our Aspirations and Ambitions 2023 to 2026

‘Making Hope a Reality’ is the title of our 2023 to 2026 strategy. The strategy builds on our 2020 to 2023 strategy Sustainable Recovery to give people the confidence that they can achieve their dreams and ambitions.

At Phoenix we know from our own experience that with the right support, care and guidance people can find hope and in time can make their hopes and dreams a reality.

Throughout our history we have walked alongside people until hope is in sight. That hasn’t always been an easy thing to do. It has meant we have spoken out for the rights of people to get access to the support they need, or developed new forms of treatment to support people where they are. It has meant forging relationships with other organisations to develop services or give voice to peoples’ needs.

STRATEGIC REPORT (continued)

'Making Hope a Reality' – Our Aspirations and Ambitions 2023 to 2026 (continued)

That is something we have always done at Phoenix, but there are a number of reasons why there is a greater sense of urgency than ever before to do this now.

More people than ever before are dying of drug and alcohol related conditions. This is due to:

- increased levels of poverty and mental health conditions
- pressure on health and social care services meaning people don't get help they need early enough
- lack of good quality services to support people in addiction.

The UK Government has recognised the need for greater focus and increased funding to support services to deliver more help to people in addiction.

'Making Hope a Reality' sets out how we will use that opportunity to ensure that good quality responsive and innovative psychosocial services are available to everyone, particularly those people who find it hardest to get help.

At Phoenix we know from our own experience that with the right support, care and guidance, people can find hope, and in time can make their hopes and dreams a reality. This strategy will focus us all on achieving that

'Making Hope a Reality' is made up of three strategic objectives that will form the focus of our activities over the next three years:

- Support our workforce to be sector leading by providing excellent training and career development opportunities as well as support and recognition
- Use our expertise to create equity of access to treatment because we know it saves lives
- Develop new approaches to meet people's needs because we don't believe anyone should be denied access to effective treatment

Our new strategy will direct us to create different approaches in different parts of the UK to meet local needs. This may mean reinventing existing approaches, but we also aim to get to grips with persistent issues such as blended mental health and addiction support and saving lives through our defined Drug Related Deaths prevention strategy for example.

As part of our 2023 to 2026 strategy 'Making Hope a Reality' we aim to ensure our range of services are as inclusive possible. Therefore, we will be opening a new women-only service in autumn 2023. This new trauma-responsive service will help address the lack of specialist women's treatment services in the UK.

Furthermore, we will be expanding our provision in Scotland through a new mixed-gender residential service in North East Scotland. This will mean that we expand our provision to seven residential services by the end of 2023/24.

We have been advocates of addressing a number of issues in the drug treatment sector; the postcode lottery for access to some services; the availability of high-quality psychosocial treatment, and the capacity of the drug sector to manage a higher complexity of needs.

We have raised many of those issues with government and officials directly and fed into the UK drug strategy 'From Harm to Hope' and the Dame Carol Black review. Now it is the time to ensure

STRATEGIC REPORT (continued)

'Making Hope a Reality' – Our Aspirations and Ambitions 2023 to 2026 (continued)

we deliver and make good on the commitments we have made to the people who use our services and those who struggle to get the support they need to access them.

Diversity Equity and Inclusion (DEI)

We know that some of our services aren't as accessible as we wish – pathways into and out of our services have racial and gender bias which we are committed to addressing.

We also seek to better support our trans and non-binary communities to work for us and to access our services.

To do this we will increase training opportunities at all levels of the organisation across a broader range of inclusive practice and developing a mechanism to localise our DEI agenda through support training and monitoring.

We root our approach to equity in human rights – we call it 'equity of access' but it's also about care that works when accessed – this builds on the origins of the charity as a radical alternative to mainstream healthcare that create new approaches for marginalised people.

Our strategic approach builds on the work of the previous EDI Action plan and will be overseen by the Board of Trustees.

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 Group:

- Agreed a new Corporate Strategy which commenced in April 2023. This set the focus and vision for the organisation for a three-year period, whilst considering various risks facing the Group. 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 reviewed 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 these risks

- Identified the key risks as being:

    - Rising costs due to inflation impacting our residential development programme
    - War in Ukraine impacting costs and availability of materials and resources
    - Cost of living crisis impacting staff and people who use our services
    - Availability of staff to fill vacancies.

The Charity's actions to mitigate such risks include:

- Creating a response to the cost-of-living crisis that supports staff and people who use our services
- Extending our approved suppliers to maximise competitive pricing and minimum disruption to the supply chain
- Develop a Workforce Development strategy to attract and retain talent

STRATEGIC REPORT (continued)

- Reviewing internal processes to drive efficiency

Measuring our success

Value for Money

Our Approach

Phoenix Futures is a charity working within the drug and alcohol treatment sector but also a registered provider of social housing and is obliged by the Regulator of Social Housing to provide an overview of its approach to Value for Money (VFM). This is set out below together with a set of indicators also required by the regulator. For Phoenix Futures, value for money means delivering our strategic objectives in the most cost-effective way, which enables us to maximise our support to people who are impacted by drug and alcohol issues and remain financially sustainable for the long term.

The Board regularly monitors our financial performance through the budget and five-year financial planning process, together with review of management accounts and latest forecast.

Our strategy uses our expertise and long history in delivering specialist psychosocial drug and alcohol interventions. We deliver services to people in a wide range of settings including in prison environments, alongside our NHS partners within community settings. We are the largest charitable provider of specialist drug and alcohol residential treatment.

Phoenix Futures has operated in a harsh funding environment for over a decade. We have seen a significant reduction in funding into the sector which has impacted the availability of treatment for people across England. Throughout this time, we have focused on the quality of our provision whilst also regularly reviewing the allocation of resource and assets to ensure the most effective support to our strategic objectives. As part of the budgeting process, we also review specific opportunities for improvement, such as procurement savings, support contract margin and central overhead spend.

The VFM measures as required by the Regulator of Social Housing are set out below. It should be noted that, given the complexity of needs of the people who use our services and given that Phoenix Futures is a charity with charitable goals, which invests the maximum possible to support those goals, there will be significant variations in the measures for Phoenix Futures as set against the Housing Association sector average.

As a small housing association delivering specialist psychosocial support to individuals within both supported housing and registered care, we expect our unit costs to be significantly higher than sector benchmarks. These unit costs are likely to increase as we increase the number of registered care enhanced therapeutic community units that we provide.

We provide 174 units of registered care provision and 176 units of supported housing. We do not provide general needs housing; all of our units have a level of specialised substance use support.
There will be significant variations in the measures for Phoenix Futures as set against the Housing Association sector average.

STRATEGIC REPORT (continued)

Value for Money (continued)

No	Metric	Sector Benchmark 2021/22*	2022/23	2021/22
1	Reinvestment %	2.8%	31%	45%
2	New Supply Delivered %	0%	48%	0%
3	Gearing %	16.53%	-36%	-79%
4	EBITDA MRI	248%	3,241%	1,231%
5	Social Housing Cost Per Unit	£4,774	£21,874	£19,394
6a	Operating Margin Social Housing Lettings	17%	-21.90%	-5.37%
6b	Operating Margin Overall	16.5%	14.01%	6.97%
7	Return on Capital Employed	2.41%	11.49%	6.12%

*Sector Benchmark – We take our sector benchmark from Accuity SPMB Membership information of HCA providers with less than 1,000 units. Information from 2021/22 is the latest available.

Reinvestment/ New Supply Delivered
We developed two new residential care homes in 2021/22 and opened them in 2022/23. Investment will continue into 2023/24 with further residential care homes currently in development.

We plan to open further residential care homes over future years as we increase capacity in line with strategy.

Gearing/EBITDA MRI
We do not have debt finance or long-term loans secured against property. We do have Defined Benefit Pension obligations impacting upon these metrics. Phoenix acquired The Ley Community Drug Services in 2022/23 resulting in a Fair Value donation. We have invested significant amounts of cash into the development of new residential care homes.

Social Housing Cost per Unit
Costs incurred by Phoenix Futures are higher than the average for housing providers. This is because we are involved in delivering services where intensive support is required, with a high proportion of CQC and CI registered units. These unit costs are likely to increase as we increase the number of registered care enhanced therapeutic community units that we provide.

Operating Margin (Social Housing Lettings)
Margins are lower in Social Housing due to extensive development and refurbishment costs along with rising inflation.

Operating Margin (Overall)
Margins overall have been impacted by lower staffing costs generating vacancy savings. The merger with Ley Community Drug services generated a fair value donation which has led to an overall increase in margins.

Value for Money (continued)

Return on Capital Employed
We have delivered a positive financial return through strong financial management.

Carbon Emissions report

In 2019, the Charity devised an Environmental Strategy to reduce net carbon emissions to zero by 2023. This strategy was approved by the Board for implementation through the 2020/23 strategic plan.

The target was to achieve Net Zero Carbon emissions by 2023, 27 years before the government-mandated national target for Net zero emissions. However, the Charity achieved Net Zero Carbon emissions in 2020, 30 years before the Government target.

In 2022-23 we have achieved the following:

- Calculated and monitored our carbon emissions across the organisation including through the energy used within our accommodation-based services and the fuel used in the course of our delivery, through our own fleet and travel in the course of Phoenix Futures business
- Assessed through a multi-disciplinary project team our ability to reduce our carbon use
- Set a target to reduce emissions
- Made the decision to switch energy supplies as soon as practically possible
- Calculated the carbon capture of our Phoenix Forest programme and used this to offset emissions
- Continued to use technology (such as Microsoft Teams) to reduce travel for meetings where appropriate
- Implemented processes and behaviours that reduce the use of carbon in our offices and our accommodation-based services
- Educated staff and people who use our services about carbon reduction behaviours and approaches
- Increased our use of home-grown food produce
- Used low carbon and plant-based products during our rebranding project

Energy climate

As part of the current difficulties with energy supply, we were unable to meet to secure renewable gas for the Nov-Oct 2022/23 contract year with our supplier. Consequently, there has been an increase in the amount of carbon dioxide produced by the organisation. In addition to this, there has been an increase in the amount of travel that has taken place in the organisation, further increasing CO_2.

Carbon Capture programmes

Over the last nine years Phoenix has planted over 11,000 trees through our Phoenix Forest programme. We will continue to plant trees through Phoenix Forest and will also identify other carbon capture approaches through partnerships with a range of environmental and community organisations.

In the last year we have created carbon capture gardens in our partnership with Scotrail at Anniesland and Dunfermline stations.

Plans for the next two years:

- Continue to focus on emission reduction in our travel and our personal use
- Develop our ‘beyond carbon’ approaches looking at how we can reduce our use of water across our services
- Support our Environmental sustainability champions in their role across the organisation

STRATEGIC REPORT (continued)

Carbon Emissions report (continued)

Carbon Capture programmes (continued)

- Share our learning across the sector within the UK and amongst other treatment providers across the world
- Develop more carbon capture approaches in partnership with other organisations

Our carbon data for 2022-23:

	CO2 Tonnes	kWh
Gas[1]	299.38	2,478,912[1]
Black Fleet	14.03	47,119
Grey Fleet	57.78	142,156
Public Transport	20.13	N/A
Electricity	-	465,072[2]
Total	**391.32**	**3,133,259**
Emissions ratio	18.60 CO2 tonnes per £m of turnover*	

*based on turnover of £21 million per annum
1 – Gas remained carbon neutral until Nov 2022, at which point it reverted to being "brown".

Methodologies used to capture data

Gas and electricity

Data sources:

- The Charity's Kilowatt hour (kWh) data is recorded by its energy broker and reported directly to the Charity, the figures provided are provisional figures of kWh usage
- The CO2e conversion factor was taken from the Government's publication on greenhouse gas reporting

Calculation:

- (Total kWh used) x (CO2e conversion factor) / 1000 = CO2 Tonnes

As of 1st November 2019, the Charity migrated approximately 33% of its gas usage from natural gas to renewables, 100% of its electricity usage from non-renewables to renewables, becoming carbon neutral. Consequently, kWh does not directly translate to CO2 Tonnes as stated in the above calculation. However, as of 1st November 2022, 100% of gas usage came from non-renewable sources, and consequently is associated with an increase in carbon emissions.

Black and Grey Fleet

Data sources:

- Mileage data – recorded through expense returns from staff
- Fuel pricing data – AA national fuel price reports – average taken between equal mix of diesel and petrol, over whole UK
- Petrol/diesel miles per gallon (MPG) data – taken from gov website
- The CO2e conversion factor was taken from the Governments publication on greenhouse gas reporting

STRATEGIC REPORT (continued)

Carbon Emissions report (continued)

Methodologies used to capture data (continued)

Calculation:

- Black Fleet
  - (Total kWh used) x (CO_2e conversion factor) / 1000 = Total expense
  - (Total expense) / (Fuel cost) = Litres of Fuel
  - (Litres of Fuel) x (CO_2e conversion factor) / 1000 = CO_2 Tonnes
  - One litre of fuel equivalent to 8.9 kWh

- Grey Fleet
  Previous methodology:
  - (Cost of Mileage claimed) / (MPG cost of fuel) = Gallons of Fuel
  - (Gallons of Fuel) * 4.55 = Litres of Fuel
  - (Litres of Fuel) * (CO_2e conversion factor) / 1000 = CO_2 Tonnes

Updated conversion measures in 2022 have resulted in a change to the methodology applied as follows:
  - (Miles claimed) * (CO_2e conversion factor) / 1000 = CO_2 Tonnes

It is difficult to calculate the exact amounts of diesel and petrol used in the black fleet, but as both types of fuel are used in relatively equal proportions, the usage is treated as a 50:50 split.

Calculating the exact amounts of MPG in the grey fleet, as the Charity does not hold data on all types of private vehicles used, but as many types of vehicles have been used, the average MPG fuel cost has been averaged. This means the figure is reasonably estimated.

Transport Cost

Data sources:

- Cost per mile travelled – taken from sample of Phoenix Futures data
- Conversion factor – averaged from various reports

Calculation:

- (Money spent) * (Cost per mile travelled) = Miles travelled
- (Miles Travelled) * (kgCO_2e conversion factor) /1000 = CO_2 Tonnes

Transport costs are heavily estimated. The mileage data has been taken as a sample as regularly this information is not actually recorded. There is no standard conversion factor as all types of public transport have various emissions that will also vary between models of vehicle. This has therefore been produced as a guide figure, with the aim to replace heavy emissions transport (planes) with lower emissions transport (trains and buses).

Our plans for 2023 to 2024 include:

- Aim to return gas usage to renewable sources, if the option exists on the market
- Developing community partner relationships, such as with the John Muir Trust and Wilder Carbon
- Further aim to reduce carbon emissions in our travel and personal use
- Developing environmental education initiatives
- Find a long-term partner for carbon sequestration

STRATEGIC REPORT (continued)

Section 172 Companies Act Statement

Phoenix recognises its responsibility to take into consideration the needs and concerns of the Charity's key stakeholders as part of its consultation and decision-making process.

During the year, we engaged a number of stakeholder groups, including employees, volunteers and partners to work together on areas such as mental health, Drug Related Deaths, environmental sustainability and Equality and Diversity. Through this collaborative process, the Charity brings together views from across the organisation, and those we work with, to look at published best practice, research and lived experiences to support our approach in each of these areas.

Phoenix is a values-led organisation that operates in a highly regulated environment. We recognise our responsibility to manage voluntary and public monies appropriately. Our commitment is to support some of the most vulnerable people in the UK and we have a strong desire to offer a safe and rewarding workplace for our staff and volunteers.

Furthermore, we are an environmentally friendly organisation with a strong historic commitment to conserve and preserve our natural environment. Each of these areas of responsibility are clearly recognised in our strategy, work plans and daily activities.

The direction of the Charity is governed by its overall purpose, values and beliefs which form the guiding principles. These are in turn translated into a 3-year corporate strategy which details what we will achieve. The Board plays an active part in the planning and development of strategy from its initial inception through to formally signing off the final document.

The Strategy then informs the various departmental, speciality and service strategies/plans which set out how we shall achieve the overall strategy – these in turn inform the individual targets team members are set.

Throughout the life of the Strategy, performance and risk are managed through a combination of reporting to the Full Board and reports (under delegated authority) to one of the 7 sub-committees:

- Scotland Board
- Audit and Control Committee
- Clinical Governance Committee
- People and Remuneration Committee
- Strategic Risk Committee
- Investment Committee
- Ley Board

Key management performance review

As an example, the Executive Team Workplan and the Balanced Scorecard are approved and subsequently monitored by the Board at its meetings whilst the Audit and Control Committee plays a key role in the development of budgets and the subsequent monitoring of budgets.

In terms of managing risk, the Directors have developed a risk matrix, following the standard format of considering both the likelihood and impact of potential risks. This is regularly, but also proactively reviewed by the Directors prior to updating the Board.

All members of the Executive Team go through a rigorous recruitment process which is undertaken by a specialist recruitment agency with the final interview panel having membership from the Board. The process tests not only the competencies of potential Directors, but also their values.

STRATEGIC REPORT (continued)

Section 172 Companies Act Statement (continued)

Key management performance review (continued)

All members of the Executive Team hold as a minimum a master's degree (in business or voluntary sector management) or a professional qualification in their speciality (e.g., FCA or MCIPD).

The Executive Team is subject to the same appraisal and supervision processes as all staff. An annual workplan for the Executive Team is put before the Board and progress is monitored at every Board meeting. In addition to the Workplan the Directors are also set individual targets, these are agreed by and monitored by the People and Remuneration Committee.

Stakeholder groups

The following statement summarises how Phoenix ensures that we assess the impact and fairness of our actions and decisions on each of Phoenix's defined stakeholder groups so as to maintain our reputation as a leader in our sector.

Customers

Our customers fall into two broad groups: People who use our services and Funders.

How we engage customers

- Insight from people who use our services – we segment and analyse behavioural data through ongoing research into the effectiveness of our services and benchmark where possible against market comparators
- Co-production – the people who use our services are directly involved in decisions that affect them through our co-production processes within each of the settings in which we work
- Service Satisfaction – we regularly survey the satisfaction levels within each service we provide
- Funders - we take part in regular contract reviews to ensure we are meeting the needs of our funders

Outcomes

We offer highly effective, evidence-based services and enjoy a reputation as a high-quality provider.

Partnerships

We have defined three partnership segments

- Collaborative partners – peer organisations within our sectors of work
- Strategic delivery partners – key national contracted partnerships
- Local delivery partners – local partnerships that enhance delivery of services

How we engage

- We adopt joint working on a range of issues that affect the sector in which we work through Collective Voice
- We are part of a network of national partnerships essential for delivery of psychosocial work
- We have mapped local delivery partners in the areas where we work, through which we can add mutual value to the people who use our services

Section 172 Companies Act Statement (continued)

Outcomes

The collaborative working with Collective Voice partners has further developed through the creation of both an HR Directors' group and also a separate Learning & Development Group, both of which Phoenix plays an active role. The groups are supporting OHID to implement the Dame Carol Black Review findings – with a particular focus on workforce development matters.

Suppliers

We segment suppliers into three groups

- High-value, critical suppliers – An interruption to the supply of these goods would put the operations or security of the organisation at severe risk
- High-value, non-critical suppliers –An interruption to these goods would be damaging to the Charity but it would be manageable
- Low-value suppliers – There are alternatives to purchasing from these suppliers in the event of interruption

How we engage

- We assess all key partnerships to ensure financial viability and values match with our purpose
- We utilise Business Continuity Plans to ensure that services can continue to operate in the event of supplier interruption

Outcomes

We have a strong and stable supplier network that supports high quality and consistent delivery of our services.

Staff and volunteers

Executive Team members continue to promote the culture and values of the Organisation and have been more visible across the Organisation as the COVID-19 restrictions were lifted.

In February 2023 we undertook a comprehensive staff survey, the results of which demonstrated that we have a highly engaged and motivated workforce. Headlines figures from the survey include:

- 75% of the workforce completed the staff survey
- 97% said that they enjoy their work
- 95% said that their work contributes to the goals and values of Phoenix
- 94% agree that promoting anti-stigma is important to them
- 93% said that they receive regular communication about what is happening across Phoenix
- 91% would recommend Phoenix to others as a good charity

In addition to the staff survey we continued to engage with staff through the regular supervision process, supported by annual appraisals and our ongoing focus on Health and wellbeing (91% of staff confirmed that their manager regularly checks on their health and wellbeing).

The focus on Health and Wellbeing was even more critical during the year as a result of the Cost-of-Living Crisis. Staff were given additional support through the work of a multi-disciplinary project team, led by the Director of Finance, which sought and found ways to lessen the financial burden resulting from the crisis.

STRATEGIC REPORT (continued)

Section 172 Companies Act Statement (continued)

Phoenix continues to provide volunteering opportunities which are beneficial to both the volunteer and services. Volunteers provide added value to the services they support and in return we support the volunteers to gain valuable work experience as evidenced by 10% of the current workforce joined through volunteering.

Society

We consider our wider society to be a key stakeholder. We segment our societal stakeholder as follows:

- The social environment - tackling stigma faced by people affected by addiction for the benefit of all society
- The policy environment – ensuring people affected by addiction have fair access to the resources they need to achieve their potential
- The ecological environment – ensuring we play our part in limiting our negative impact on the environment and maximising our positive impact

How we engage

- Conservation – we have an active tree planting and conservation programme called Recovery Through Nature
- The voice of people who use our services – we encourage and facilitate people to input into government consultations on issues that affect them
- Stigma reducing projects – we provide a range of projects designed to improve understanding of addiction within the general public

Outcomes

During the year we worked with Scotrail to adopt some stations where drug use had become problematic in order to expand our anti stigma and environmental awareness work.

Our funders

The Board would like to thank the following donors for their support. Working together we have been able to increase the depth and reach of the support we offer to our beneficiaries.

Phoenix Association
Ripple+
Corra Foundation, in partnership with the Scottish government
Jo Malone London

Fundraising

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

Approved by the Board of Directors on 28th July 2023 and signed on behalf of the Board by:

R Hill
Richard Hill (Aug 2, 2023 13:15 GMT+1)

R Hill
(Director) 02/08/2023

DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements for the year ended 31 March 2023.

Results for the year

The Group's Results for the year ended 31 March 2023 are shown in the Statement of Comprehensive Income on page 29.

Excluding any profit on the disposal of fixed assets, the Group generated an operating surplus of £2,944 (2022: £1,361k) as shown below.

	2023 £'000	2022 £'000
Turnover	21,015	19,531
Fair Value Donation	2,805	-
Operating expenditure	(20,876)	(18,170)
Operating surplus before surplus on sale of housing properties	2,944	1,361
Surplus/ (loss) on disposal of fixed assets	3	(3)
Operating surplus	2,947	1,358

As explained on page 6, on the 23rd September 2022 the Charity acquired The Ley Community Drug Services as a wholly owned subsidiary. The transaction to reflect the acquisition of The Ley in the Group and parent company must be accounted for under FRS 102 as explained under Acquisitions on page 37.

Applying FRS102 principles to the consolidated accounts produces a fair value donation received by the Group of £2,805k. The fair value donation contributes to the consolidated surplus for the year of £1,850k as shown in the consolidated Statement of Comprehensive Income on page 29.

The fair value donation in the Charity's own Income and Expenditure account is £2,830k. This excludes due diligence costs of £25k. The donation has strengthened the Charity balance sheet and total reserves but has not increased free reserves.

The Group's operating surplus before accounting for the fair value donation for the year ended 31st March 2023 was £142k (2022 £1,358k).

In addition to acquiring The Ley, we have developed and opened two new residentials in the year, Harper House Family Service in Scotland and New Oakwood Lodge residential service in Derby. In addition, significant refurbishment works have been undertaken in the Sheffield Family Service, updating the accommodation and creating a bigger space for nursey and children to play in. The developments have required significant financial investment however the new residentials bridge gaps in the treatment provision within an environment that is conducive to aiding and supporting recovery.

Where contracts for services continue to be tendered in very competitive conditions, the Charity made a strategic decision to focus on delivering quality services which are financially sustainable rather than high risk growth.

DIRECTORS' REPORT (continued)

The Charity increased its Community Services income in Essex and Derbyshire, resulting in a net increase to income of £1m (2022: increase of £0.6m). Registered Care income increased by £0.8m (2022: increase of £0.9m) with the opening of Harper House generating new income to offset the reduction in Sheffield as refurbishments works were undertaken. Prison services income decreased by £0.6m (2022: decrease of £0.1m), due to our Onley & Tye Hill and Prison Visitor Centre services coming to an end and Housing services income increased by £0.3m.

Whilst overall income, excluding the fair value donation, has increased by 8%, overall expenditure increased by 14% due to the one-off residential costs mentioned above.

Future Prospects

In England the Government have published a 10-year drug strategy accompanied by significant investment in the sector for the next 3 years. Crucially the spending plans also include a commitment to create equal access to residential treatment for people across England.

Phoenix Futures is however 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 therefore expects that the Charity will continue to seize opportunities within Criminal Justice, Community Services, Registered Care and Housing in England.

The Charity is well placed to identify opportunities and develop local partnerships and relationships with key commissioners in Scotland so that it can respond effectively to market conditions and build on the success of its service models.

In order to monitor financial performance and evaluate future prospects, 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.

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.

Business relationship statement

The Charity nurtures business relationships with key stakeholders, such as customers, suppliers and others and considers the strategic value to the Charity and its stakeholders when making decisions.

Disabled Persons

The Charity's commitment to equality of opportunity between disabled people and other people falls within a set of over-arching equality and diversity values and lies at the centre of all its activities.

The Charity removes barriers to access employment by guaranteeing interviews to disabled applicants who meet the minimum requirements of a role, making all reasonable adjustments to accommodate disabled persons and those staff who may become disabled during employment, within the workplace.

DIRECTORS' REPORT (continued)

The Charity provides training, development, and career opportunities for all its staff, but flexes the nature and delivery of the support to recognise the needs of disabled staff, to ensure that they are treated fairly.

Financial risk management

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

The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The Board has delegated the responsibility of monitoring financial risk management to the Audit & Control Committee. The policies set by the Board are implemented by the Group's finance department.

Cash flow risk

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

Price risk

The Group is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK.

Investment risk

The investments are split between the Cazenove Charity multi-asset fund and CCLA-COIF's ethical fund (relatively low risk funds), both portfolios engaging only with opportunities which can demonstrate high ethical standards. Investment managers present regularly to our Investment Committee to ensure that the evidence of these standards is robust.

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of the Group and of the surplus or deficit of the Group for that period.

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

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

DIRECTORS' REPORT (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity and the Group will continue in business

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

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

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS

The Board reviewed the Charity's compliance with the governance and financial viability standard in September 2020 and October 2021. No areas of non-compliance were identified.

The Board has adopted and complies with the 2016 National Housing Federation's (NHF) Code on Governance and is working towards the full adoption of the 2020 NHF 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 NHF 2016 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 Group and for reviewing its effectiveness. No system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Charity's assets and interests.

The Board has adopted a risk-based approach to internal control 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 People and Remuneration Committee. The Committees have different areas of internal control although some areas overlap.

DIRECTORS' REPORT (continued)

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

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

Risk management

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

Monitoring and corrective action

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

Control environment and control procedures

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

Information and financial reporting systems

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

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 2022-23 and up to

DIRECTORS' REPORT (continued)

date of approval of the financial statements and confirmed that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Charity.

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

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

Directors

The Directors who served during the year were as follows:

DIRECTORS	Dr Susan Kinnaird (Chair - Resigned 8th December 2022)
	Mr Richard Hill (Chair - Appointed 8th December 2022)
	Professor Annie Bartlett (Vice-Chair)
	Sheriff David Nicol Mackie
	Mrs Dorothy Brown
	Ms Emanuele Labovitch
	Dr Francis Keaney
	Ms Helen Wollaston
	Mr Iain McGourty
	Mr Ian Watson
	Dr Simon Street (Appointed 29th September 2022)
	Ms Susan Ellenby (Resigned 8th December 2022)

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, CLA Evelyn Partners Limited, is deemed to be reappointed as auditor.

Approved by the Board of directors on 28th July 2023 and signed on behalf of the Board by

RHill
Richard Hill (Aug 2, 2023 13:15 GMT+1)

R Hill
(Director) 02/08/2023

Registered number 1626869

evelyn
PARTNERS

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

Opinion
We have audited the financial statements of Phoenix House Limited (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 March 2023 which comprise of the group and charity statements of comprehensive income, the group and charity statements of financial position, the consolidated and charity statements of changes in capital and reserves, the consolidated statement of cash flows and the notes to the financial statements, including 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 group's and of the parent charitable company's affairs as at 31 March 2023 and of the group's income and expenditure 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, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 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 2022.

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 group and parent charitable company 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
In auditing the financial statements, we have concluded that the Director's (who are the trustees for charitable purposes) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 Directors are responsible for the other information contained within the Report and Financial Statements.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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 Report and Financial Statements, which includes 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 included within the Report and Financial Statements 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 group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report included within the Report and Financial Statements.

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

- adequate, proper and sufficient accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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 Directors

As explained more fully in the Director's responsibilities statement set out on page 19, the Board members (who are directors of the parent charitable company 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 Directors are responsible for assessing the group's and the parent charitable company'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 Directors either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under Companies Act 2006, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 151 of the Charities Act 2011, and report in accordance with those Acts and relevant regulations made or having effect thereunder.

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

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Group's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the group's policies and procedures in relation to compliance with relevant laws and regulations. We also drew on our existing understanding of the Group's industry and regulation.

We understand that the Group complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- Maintaining a risk assessment framework and register that includes regular review and scrutiny by the Board and Audit & Control Committee;
- Ensuring an internal audit process is performed to check the quality of compliance;
- Having a dedicated clinical governance officer and a Clinical Governance and Quality Assurance Committee in place;
- Designated health and safety representatives and dedicated training programme;
- Performing an annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing; and
- A report is prepared for the Audit & Control committee every time that a meeting is held noting compliance with procedures and regulations.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct operations and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Group:

- FRS 102, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022, in respect of the preparation and presentation of the financial statements;
- Safeguarding and health and safety, including building and fire safety regulations;
- Charity law and regulations; and
- Social housing regulations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Made enquiries of management and those charged with governance as to the risks of non-compliance and any instances thereof;
- Read minutes of meetings of those charged with governance; and
- Reviewed any internal audit reports and correspondence between regulators and the Charity.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries and incorrect recognition of revenue.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the Charity's processes and controls surrounding manual journal entries;
- Reviewing and challenging estimates made by management; and
- Substantive testing of revenue transactions.

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

A further description of our responsibilities is available 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 parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the parent charitable company's Director's as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members and Director's 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 parent charitable company, the parent charitable company's members as a body, and the parent charitable company's Director's as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Bond
Andrew Bond (Aug 2, 2023 18:10 GMT+1)

Andrew Bond
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

45 Gresham Street,
London,
EC2V 7BG

02/08/2023

PHOENIX HOUSE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Group		Charity	
		2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Turnover	2	21,015	19,531	21,014	19,531
Fair Value donation	23	2,805	-	2,830	-
Operating expenditure	2	(20,876)	(18,170)	(20,774)	(18,170)
		2,944	1,361	3,070	1,361
Surplus/(loss) on disposal of fixed assets	10	3	(3)	3	(3)
Operating surplus		**2,947**	**1,358**	**3,073**	**1,358**
Interest receivable	6	80	15	76	15
Interest payable and financing costs	7	(107)	(140)	(107)	(140)
Movement in the value of investments	22	(139)	10	(139)	10
Surplus for the financial year		**2,781**	**1,243**	**2,903**	**1,243**
Other Comprehensive Income					
Actuarial (loss)gain on defined benefit pension liability	24	(931)	1,653	(931)	1,653
Total comprehensive income for the financial year		1,850	2,896	1,972	2,896

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

PHOENIX HOUSE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

		Group		Charity	
		2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Fixed assets					
Tangible fixed assets - housing properties	11	13,926	8,852	12,609	8,852
Other tangible fixed assets	12	1,062	1,041	1,062	1,041
Investment in Ley Community	13	-	-	2,855	-
		14,988	9,893	16,526	9,893
Current assets					
Debtors	14	4,961	2,524	5,089	2,524
Cash and cash equivalents		5,404	7,808	3,830	7,808
Investments	22	4,871	5,010	4,871	5,010
		15,236	15,342	13,790	15,342
Creditors: amounts falling due within one year	15	(6,111)	(5,681)	(6,081)	(5,681)
Net current assets		9,125	9,661	7,709	9,661
Total assets less current liabilities		**24,113**	**19,554**	**24,235**	**19,554**
Creditors: amounts falling due after more than one year	16	3,317	650	3,317	650
Provisions for liabilities and charges					
Provisions for liabilities	17	14	14	14	14
Defined benefits pension liability	24	4,368	4,326	4,368	4,326
Capital and Reserves					
Share capital	19	-	-	-	-
Revenue reserve	20	16,264	13,509	16,536	13,509
Restricted Reserve	20	150	1,055	-	1,055
		24,113	**19,554**	**24,235**	**19,554**

The Financial Statements were approved and authorised for issue by the Board of Directors on 28th July 2023 and were signed on its behalf by:

RHill
Richard Hill (Aug 2, 2023 13:15 GMT+1)

R. Hill
(Director)

IAN wATSON
IAN wATSON (Aug 2, 2023 15:23 GMT+1)

I. Watson
(Director)

PHOENIX HOUSE

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital £'000	Restricted Reserves £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2022	-	1,055	13,509	14,564
Surplus for the year	-	150	2,631	2,781
Release of Restricted Reserves	-	(1,055)	1,055	-
Other Comprehensive income				
- Actuarial movement on defined benefit pension scheme in the year	-	-	(931)	(931)
Total comprehensive income	-	(905)	2,755	1,850
At 31 March 2023	-	150	16,264	16,414

For the Year Ended 31st March 2022

	Share Capital £'000	Restricted Reserves £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2021	-	1,055	10,613	11,668
Surplus for the year	-	-	1,243	1,243
Other Comprehensive income				
- Actuarial movement on defined benefit pension scheme in the year	-	-	1,653	1,653
Total comprehensive income	-	-	2,896	2,896
At 31 March 2022	-	1,055	13,509	14,564

CHARITY STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital £'000	Restricted Reserves £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2022	-	1,055	13,509	14,564
Surplus for the year	-	-	2,903	2,903
Release of Restricted Reserves	-	(1,055)	1,055	-
Other Comprehensive income				
- Actuarial movement on defined benefit pension scheme in the year	-	-	(931)	(931)
Total comprehensive income	-	(1,055)	3,027	1,972
At 31 March 2023	-	-	16,536	16,536

For the Year Ended 31st March 2022

	Share Capital £'000	Restricted Reserves £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2021	-	1,055	10,613	11,668
Surplus for the year			1,243	1,243
Other Comprehensive income				
- Actuarial movement on defined benefit pension scheme in the year	-	-	1,653	1,653
Total comprehensive income	-	-	2,896	2,896
At 31 March 2022	-	1,055	13,509	14,564

PHOENIX HOUSE

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Net cash used in operating activities	A	(1,257)	(115)
Cash flow used in /generated from investing activities			
Interest received		80	15
Interest paid		(107)	-
Grant received		1,514	2,778
Recycled Grant Fund returned		-	(294)
Purchase of tangible fixed assets		(4,508)	(4,225)
Purchase of investments		-	(5,000)
Cash arising from acquisition of subsidiary		1,874	-
Net cash used in investing activities		(1,147)	(6,726)
Net decrease in cash and cash equivalents		(2,404)	(6,841)
Cash and cash equivalents at beginning of year		7,808	14,649
Cash and cash equivalents at end of year	B	5,404	7,808

PHOENIX HOUSE

NOTES TO THE CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2023

A RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2023 £'000	2022 £'000
Surplus for the year	2,781	1,243
Interest receivable and similar income	(80)	(15)
Movement on fair value of investment	139	(10)
Interest payable and similar charges	107	140
Fair value recognised from subsidiary acquisition	(517)	-
(Loss)/ Gain on disposal of other fixed assets	(3)	3
Depreciation charge on tangible fixed assets	373	288
Increase in debtors	(2,437)	(704)
Increase in creditors	851	217
Decrease in provisions	-	(83)
Release of grant	(1,460)	-
Pension costs paid	(1,011)	(1,194)
Net cash (outflow) from operating activities	(1,257)	(115)

B CASH AND CASH EQUIVALENTS

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash at bank and in hand	5,404	7,808	3,830	7,808

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.

Ley Community Drug Services is a wholly owned subsidiary of Phoenix Futures. It is incorporated as a private company limited by guarantee under the Companies Act 2006 in England, number 03736193. It is also a registered charity, number 1074874, Its registered office is 26 Sandy Lanne, Yarnton, Oxford. OX5 1PB.

The group of companies is collectively known as Phoenix Group and referred to as the "Group".

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

Details of the principal activities of the Group are given in the accompanying narrative reporting.

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 2018 "Statement of Recommended Practice for registered social housing providers" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

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

Disclosure exemptions

The company is a qualifying entity as defined by FRS 102 and as such, has taken advantage of the exemption from presenting a statement of company cash flows on the grounds that the relevant information is included within the consolidated information presented within these financial statements.

Basis of consolidation

The Group Financial Statements consolidate the financial statements of Phoenix Futures and its subsidiary undertaking, Ley Community Drug Services, for the period to 31st March each year.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiary is controlled by virtue of the company being the sole member of the subsidiary thereby being able to appoint the trustees of the entity.

The results of The Ley Community Drug Services are consolidated from the 23rd September 2022, the date upon which control past.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

1 **Accounting policies (continued)**

Business combinations

Acquisitions are accounted for under the acquisition method. This requires the new entity's assets and liabilities to be initially recognised at fair value. Goodwill is calculated as the difference between the fair value of the consideration paid and the fair value of the net assets acquired.

Where the nature of the business combination is of one entity gifting control to the other ("non-exchange transaction"), the fair value of the gifted assets and liabilities are recognised as a gain or loss in the income and expenditure account in the year or the transaction, in accordance with the SORP.

Going concern

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

The Group has considered the potential impact from the continuing crisis in Ukraine, rising inflation and increased cost of living, including significant increases to energy costs, these have been reflected in the budget for 2023-24 and future projections by identifying components which will impact its budgetary assumptions. In addition, the Executive Team and the Board have carried out financial stress testing examining the impact of a number of potential scenarios on its medium to long term financial plan and cashflow. Throughout the year, financial reforecasts and cashflows are presented at regular intervals to the Board, new business opportunities are risk appraised and approved by the Executive Team with subsequent approval from Board where required under the Delegated Matrix.

The Board has reviewed the Group's financial viability and it is satisfied that the Group is a going concern and it is in a strong position for the foreseeable futures, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Key sources of estimation uncertainty and judgements

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

Critical judgements in applying the Group'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 Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Key judgment around accounting for donation in Phoenix

The Board has made a material judgment in accounting for the interest acquired in Ley in the year within the accounts of the parent charitable company. The Board has determined that the fair value of the assets acquired, as disclosed in note 13, is a reasonable estimate of that value. Accordingly, a donation and cost of the investment equal to the fair value of the net assets has been recognised in the Financial Statements of the parent.

1 Accounting policies (continued)

Key sources of estimation uncertainty and judgements (continued)

Identification of housing property components

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

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

Identification of cash generating units for impairment testing

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

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

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.

The 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 standards requiring frequent replacement of components. The accumulated depreciation at 31 March 2023 was £3,018k (2022: £2,446k).

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 2023 was £54k (2022: £11k).

1 **Accounting policies (continued)**

Key sources of estimation uncertainty and judgements (continued)

Bad debt provision

The trade debtors balance of £1,305k (2022: £1,486k) is recorded in the Group's Statement of Financial Position and comprises 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 2023 was £63k (2022: £48k).

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 2022-23 financial year. A liability of £4,368k is recorded the Statement of Financial Position at 31 March 2023.

Tangible Fixed assets

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

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

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

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

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

Housing properties

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

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

1 **Accounting policies (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

Financial Instruments

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

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

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

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

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

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

Financial assets are only derecognised when and only when:

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

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

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

Investments

Investments made in listed funds are measured at fair value with any changes in fair value recognised through profit and loss. These investments are highly liquid and are readily convertible to cash.

1 **Accounting policies (continued)**

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.

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 grants

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.

1 **Accounting policies (continued)**

Grants (continued)

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 Homes England 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 Group, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Supporting People Grant

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

Provisions

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

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.

1 **Accounting policies (continued)**

Employee termination benefits

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

Operating leases

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

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

Taxation

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

The Charity is registered for VAT. Amounts within the financial statements are stated gross of VAT.

Turnover

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

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

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

Revenue Reserves

It is the policy of the Charity to maintain sufficient free reserve levels to enable it to invest and respond to new opportunities and grow sustainably and withstand any shortfall in income or unforeseen expenditure while any necessary adjustments are made to the Charity's operations. 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.

Restricted Reserves comprise of monies which have an imposed condition or are restricted to a specific purpose. Upon the conditions of the restriction being met, the funds are released.

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

1 **Accounting policies (continued)**

Pension scheme (continued)

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.

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.

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

	2023 Turnover	2023 Operating costs	2023 Operating surplus /(deficit) before surplus on sale of housing properties	2022 Turnover	2022 Operating costs	2022 Operating surplus /(deficit) before surplus on sale of housing properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social Housing lettings (note 2B)	6,473	(7,890)	(1,417)	5,720	(6,027)	(307)
Other Social housing activities						
Revenue grants	9,930	(9,138)	792	8,513	(7,553)	960
Charitable donations and sundry income	134	(126)	8	208	(53)	155
	16,537	(17,154)	(617)	14,441	(13,633)	808
Non-social housing activities	4,478	(3,722)	756	5,090	(4,537)	553
Fair Value Donation	2,805	-	2,805	-	-	-
Total	23,820	(20,876)	2,944	19,531	(18,170)	1,361

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

	2023			2022
	Residential care homes £'000	**Supported housing £'000**	**Total £'000**	**Total £'000**
Income from social housing lettings				
Rent receivable net of identifiable service charges	3,026	1,915	4,941	5,395
Other revenue grants	1,516	16	1,532	325
Turnover from social housing lettings	4,542	1,931	6,473	5,720
Expenditure on social housing lettings				
Management	1,206	374	1,580	1,275
Housing services	1,126	368	1,494	793
Routine maintenance	267	192	459	321
Depreciation of housing properties	93	66	159	114
Staff costs	2,443	750	3,193	2,607
Property lease charges	59	372	431	430
Resident costs	354	18	372	369
Other costs	125	77	202	118
Operating costs on social housing lettings	5,673	2,217	7,890	6,027
Operating (deficit) on social housing lettings	(1,131)	(286)	(1,417)	(307)
Rent losses from voids (included in rent receivable above)*	1,203	302	1,505	130

* 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.

3 Key management personnel remuneration

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Aggregate emoluments	527	480	527	480
Pension contributions	24	20	24	20
	551	500	551	500

During the year, six Directors accrued retirement benefit under a defined contribution pension scheme (2022: 8).

Highest paid Director*	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Aggregate emoluments (excluding pension contributions)	118	115	118	115
Pension contributions	7	7	7	7
	125	122	125	122

*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. No special terms or conditions apply to her membership. During the year pension contributions of £7,082 (2022: £6,868) were made on behalf of the Chief Executive.

4 Employee information

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

	Group		Charity	
	2023 No.	**2022 No.**	**2023 No.**	**2022 No.**
Permanent staff - full time equivalent (number)	413	408	413	408
Sessional staff - full time equivalent (number)	6	9	6	9
Total employed by FTE	419	417	419	417
Average number of persons employed	469	471	469	471

4 **Employee information (continued)**

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

	Group		Charity	
	2023 No.	**2022 No.**	**2023 No.**	**2022 No.**
£110,001-£120,000	1	1	1	1
£100,001-£110,000	-	-	-	-
£90,001-£100,000	-	1	-	1
£80,001-£90,000	4	1	4	1
£70,001-£80,000	-	2	-	2
£60,001-£70,000	8	7	8	7
	13	12	13	12

5 **Staff costs**

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Wages and salaries	12,494	11,841	12,494	11,841
Compensation for loss of office	55	34	55	34
Social security	1,207	1,092	1,207	1,092
Pension costs	1,433	1,324	1,433	1,324
	15,189	14,291	15,189	14,291

6 **Interest receivable**

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Bank interest receivable	80	15	76	15

7 **Interest and financing costs**

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Net interest cost on defined benefit pension obligations	107	140	107	140
	107	140	107	140

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

8 Surplus for the year

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
The surplus is stated after charging:				
Depreciation of housing properties	195	114	195	114
Depreciation of tangible fixed assets	178	174	178	174
Operating lease rentals payable:				
- Land and buildings	196	337	196	337

9 Auditor's remuneration (excluding VAT)

	2023 £'000	**2022 £'000**
Fees payable to the Charity's auditor for the audit of the parent company and consolidated annual financial statements	52	40
Fees payable to the Charity's auditor and its associates for other services to the Group:		
Audit of subsidiary undertakings	9	-
Taxation advisory services	1	-

10 Surplus/(loss) on disposal of fixed assets

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Sales proceeds	3	-	3	-
Net book value	-	(3)	-	(3)
	3	(3)	3	(3)

11	Housing properties	Freeholds	Short Leaseholds	Total
	Group	**£'000**	**£'000**	**£'000**
	Cost			
	At 31 March 2022	9,678	54	9,732
	Additions	4,309	-	4,309
	NBV acquired from subsidiary	688	-	688
	Fair Value uplift	517		517
	Disposals	(36)	-	(36)
	At 31 March 2023	15,156	54	15,210
	Depreciation			
	At 31 March 2022	826	54	880
	From Subsidiary acquisition	245	-	245
	Charge for year	195	-	195
	Disposals	(36)	-	(36)
	At 31 March 2023	1,230	54	1,284
	Net book value			
	At 31 March 2023	13,926	-	13,926
	At 31 March 2022	8,852	-	8,852

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 2023 was 350 (2022: 308).

105 bed spaces (2022: 147) were managed by the Group but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

11	**Housing properties**	**Freeholds**	**Short Leaseholds**	**Total**
	Charity	**£'000**	**£'000**	**£'000**
	Cost			
	At 31 March 2022	9,678	54	9,732
	Additions	3,952	-	3,952
	Disposals	(36)	-	(36)
	At 31 March 2023	13,594	54	13,648
	Depreciation			
	At 31 March 2022	826	54	880
	Charge for year	195	-	195
	Disposals	(36)	-	(36)
	At 31 March 2023	985	54	1,039
	Net book value			
	At 31 March 2023	12,609	-	12,609
	At 31 March 2022	8,852	-	8,852

12 **Other fixed assets**

GROUP	**Long leasehold investment £'000**	**Leasehold property improvements £'000**	**Office furniture & equipment £'000**	**Motor vehicles £'000**	**Total £'000**
Cost					
At 31 March 2022	508	430	1,446	243	2,627
Additions	-	-	199	-	199
Disposals	-	-	(10)	(19)	(29)
At 31 March 2023	508	430	1,635	224	2,797
Depreciation					
At 31 March 2022	80	125	1,140	241	1,586
Charge for year	10	23	145	-	178
Disposals	-	-	(10)	(19)	(29)
At 31 March 2023	90	148	1,275	222	1,735
Net book value					
At 31 March 2023	418	282	360	2	1,062
At 31 March 2022	428	305	306	2	1,041

12 **Other fixed assets**

CHARITY	**Long leasehold investment £'000**	**Leasehold property improvements £'000**	**Office furniture & equipment £'000**	**Motor vehicles £'000**	**Total £'000**
Cost					
At 31 March 2022	508	430	1,446	243	2,627
Additions	-	-	199	-	199
Disposals	-	-	(10)	(19)	(29)
At 31 March 2023	508	430	1,635	224	2,797
Depreciation					
At 31 March 2022	80	125	1,140	241	1,586
Charge for year	10	23	145	-	178
Disposals	-	-	(10)	(19)	(29)
At 31 March 2023	90	148	1,275	222	1,735
Net book value					
At 31 March 2023	418	282	360	2	1,062
At 31 March 2022	428	305	306	2	1,041

13 Charity fixed assets investments

	2023 £'000	2022 £'000
Investments in subsidiary undertakings	2,855	-

Subsidiary	Status	Activity	Holding
Ley Community Drug Services Acquired 23rd September 2023	Registered as a private company limited by guarantee under the Companies Act 2006 in England	Inactive since March 2019, the building is currently being redeveloped prior to re-opening	N/A

Subsidiary undertakings **Cost**	**£'000**
At 1st April 2022	-
Additions	2,855
At 31st March 2023	2,855
Net book value	
At 31st March 2023	2,855
At 31st March 2022	-

14 Debtors

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Arrears of charges to statutory bodies and others	165	294	165	294
Amounts due from contractual income	1,140	1,192	1,140	1,192
	1,305	1,486	1,305	1,486
Less provision for bad debts	(63)	(48)	(63)	(48)
	1,242	1,438	1,242	1,438
Other debtors	2,601	11	2,601	11
Prepayments and accrued income	1,118	1,075	1,114	1,075
Amounts due from Group undertakings	-	-	132	-
	4,961	2,524	5,089	2,524

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

15 Creditors: amounts falling due within one year

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Trade creditors	581	687	564	687
Payments in advance	432	413	432	413
Taxation and social security costs	291	246	291	246
Other creditors	143	145	143	145
Accruals, deferred income and grants received in advance	4,660	4,186	4,647	4,186
Multi-employer pension scheme (note 23)	4	4	4	4
	6,111	5,681	6,081	5,681

16 Creditors: amounts falling due after more than one year

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Deferred grants	3,315	644	3,315	644
Multi-employer pension scheme (note 24)	2	6	2	6
	3,317	650	3,317	650

Where properties are acquired by the Charity, they are recognised at cost as disclosed in accounting policies. In line with the SORP for registered providers, grants in relation to these properties are recognised using the accrual model.

The group has historically recognised housing properties acquired in another entity at fair value and hence the associated government grant for these properties is recognised under the performance model of accounting, in line with the SORP for registered providers. £402k (2022: £402k) is therefore potentially recyclable on disposal.

17 Provisions

	Group		Charity	
Onerous leases and dilapidations	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**
At 1st April	14	96	14	96
Movement in provision:				
Released	-	(82)	-	(82)
As at 31st March	14	14	14	14

18 Leases

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
For leases expiring				
Within one year	176	134	176	134
Between two and five years	36	203	36	203
As at 31st March	212	337	212	337

19 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.

20 Reserves

Revenue reserve

The revenue reserve represents cumulative profits and losses.

Restricted reserve

In the year ended 31st March 2020, Phoenix restricted the proceeds from a freehold property disposal in accordance with the specific covenant attached to the aforesaid property. The requirements of the covenant were met upon the opening of the new residential service in Derby (New Oakwood Lodge), the restricted reserve has therefore been released.
The restricted reserve represents donations made to The Ley Community Drug Services for specific purposes.

21 Incorporation

The Charity is registered with the Regulator of Social Housing and prepares its Financial Statements under the Accounting Direction for Private Registered Providers of Social Housing 2022. It is incorporated under the Companies Act 2006 and registered in England and Wales.

22 Current asset investments

	Group		Charity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
At 1st April	5,010	-	5,010	-
Additions in the year	-	5,000	-	5,000
Net (loss)/gain recognised through profit and loss	(139)	10	(139)	10
As at 31st March	4,871	5,010	4,871	5,010

22 Current assets investments (continued)

Investments are listed on a recognised stock exchange comprising CCLA COIF Charities Ethical Investment Fund and Cazenove Capital. Distributions for the first half of the year were reinvested in the portfolio (Accumulation Units), this was changed to Income Units for the second half of the year.

23 Acquisitions

On 23rd September 2022 the Charity acquired Ley Community Drug Services. The business combination was accounted for under the acquisition method and represented a non exchange transaction. The table below sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book Value	**Revaluation**	**Fair Value to the Group**
	£'000	**£'000**	**£'000**
Freehold housing properties	443	517	960
Debtors	11	-	11
Cash at bank and in hand	1,898	-	1,898
Current liabilities	(38)	-	(38)
Net assets	2,314	517	2,831
Consideration paid			-
Acquisition costs incurred			(26)
Donation included within turnover			2,805

24 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 355 (2022: 333) active members.

24 **Pension Scheme Arrangements (continued)**

Pension scheme liabilities recognised in the Statement of Financial Position

	Group		**Charity**	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Pension obligations recognised as Defined Benefit schemes	4,368	4,326	4,368	4,326
Defined contribution schemes:				
- Growth Plan	6	10	6	10
As at 31st March	4,374	4,336	4,374	4,336

The Charity participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

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.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

The liabilities are compared, at the relevant accounting date, with the Charity's fair share of the Scheme's total assets to calculate the Charity's net deficit or surplus.

Historic pension deficit contributions of £1,063k are payable by the Charity for the year ended 31 March 2023.

24 Pension Scheme Arrangements (continued)

Statement of Financial Position	**2023 £'000**	**2022 £'000**
Fair value of plan assets	20,585	30,876
Present value of defined benefit obligations	(24,953)	(35,202)
Net liability	(4,368)	(4,326)

Principal actuarial assumptions at the financial position date:

	2023 £'000	**2022 £'000**
Discount rate	4.87	2.79
Rate of inflation (RPI)	3.19	3.57
Rate of inflation (CPI)	2.75	3.19
Salary growth	3.75	4.19
Allowance of commutation of pension for cash at retirement	75% of Maximum Allowance	75% of Maximum Allowance

The mortality assumptions applied imply the following life expectancies at age 65:	**At 31 March 2023 Years**	**At 31 March 2022 Years**
Male retiring in 2022/2023	21.0	21.1
Female retiring in 2022/2023	23.4	23.7
Male retiring in 2042/2043	22.2	22.4
Female retiring in 2042/2043	24.9	25.2

Amounts recognised in the Income Statement	**2023 £'000**	**2022 £'000**
Net interest on defined benefit liability	107	140
Expenses paid	33	34
	140	174

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

24 **Pension Scheme Arrangements (continued)**

Amounts recognised in Other Comprehensive Income	**2023 £'000**	**2022 £'000**
Experience on plan assets	(11,476)	1,015
Experience (losses)/gains arising on plan liabilities	(105)	(2,514)
Effects of changes in demographic assumptions underlying the present value of scheme liabilities	57	546
Effects of changes in financial assumptions underlying the present value of scheme liabilities	10,593	2,606
	(931)	**1,653**

Reconciliation of movements on the defined benefit obligation	**2023 £'000**	**2022 £'000**
Defined benefit obligation at the start of the period	35,202	35,987
Administration cost	33	34
Interest expense	972	774
Actuarial (gains) and losses	(10,545)	(638)
Benefits paid	(709)	(955)
Defined benefit obligation at the end of the period	24,953	35,202

Reconciliation of movements on the fair value of plan assets	**2023 £'000**	**2022 £'000**
Fair value of plan assets at the start of the period	30,876	28,986
Interest income	865	634
Contributions by the employer	1,029	1,196
Experience on plan assets	(11,476)	1,015
Benefits paid	(709)	(955)
Fair value of plan assets at the end of the period	20,585	30,876

The actual return on the plan assets over the year ended 31 March 2023 was a loss of £10,611k.

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.

24 **Pension Scheme Arrangements (continued)**

Categories of assets held by the Plan

	2023 £'000	2022 £'000
Equity	384	5,925
Bonds	11,453	13,515
Property and infrastructure	3,858	3,828
Cash	148	105
Absolute return	223	1,239
Alternative risk premia	38	1,018
Insurance linked securities	520	720
Other	3,961	4,526
	20,585	30,876

We were notified by the Trustee of the Scheme in the previous year that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, and the current best estimate of this impact to the Charity is currently estimated at £907,000, though until Court directions are received, this amount cannot be confirmed. No adjustment has been made in these financial statements in respect of this potential issue.

Growth Plan

The Charity participates in the scheme, a multi-employer scheme which provides benefits to some 638 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.

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 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

24 Pension Scheme Arrangements (continued)

Growth Plan (continued)

Deficit contributions

From 1 April 2022 to 31 January 2025:	£3,312,000 per annum (payable monthly)

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 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 asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st 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 (included within creditors)	**2023 £'000**	**2022 £'000**
As at 31 March	6	10

Reconciliation of opening and closing provisions	**2023 £'000**	**2022 £'000**
Provision as at 1 April	10	40
Unwinding of the discount factor	-	-
Deficit contributions paid	(4)	(10)
Impact of changes in assumptions	-	-
Amendments the contribution schedule	-	(20)
As at 31 March	6	10

24 Pension Scheme Arrangements (continued)

Growth Plan (continued)

Assumptions	**2023 % per annum**	**2022 % per annum**
Rate of discount	5.52	2.35

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

25 Ultimate controlling party

There is no ultimate controlling party.

26 Related party transactions

No donations have been received during the year by the Charity from Board members. (2022: nil).

Key Management personnel	**2023 £'000**	**2022 £'000**
Remuneration paid to Key Management Personnel were:		
Remuneration (as per note 3)	551	500
Employer's social security costs	68	56
	619	526

27 Capital commitments

Capital commitments contracted for by the Group but not provided for at 31 March 2023 were £4.8m (2022: £3.7m).

28 Post Balance Sheet Event

In May, London & Quadrant Housing Trust Board approved to purchase Phoenix's share of 124 Brook Drive, London, SE11 4TQ at the property valuation cost of £1,035,000. Subsequently, Phoenix trustees approved the disposal of their share in the property at the valuation price, this will produce profit on the sale of the property of £617,795 before any legal fees. The transaction is expected to be completed in quarter two of 2023.