Phoenix House
(Trading as Phoenix Futures)

Report and financial statements
for the year ended

31 March 2020

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 2020

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DIRECTORS AND ADVISERS

DIRECTORS	Professor Annie Bartlett (Vice-Chair) Mrs Dorothy Brown Dr Karim Dar Ms Susan Ellenby Sheriff David Nicol Mackie Dr Susan Kinnaird (Chair) Ms Emanuele Labovitch Mr Iain McGourty Mr Ian Watson
SENIOR MANAGEMENT	Mr James Armstrong (Director of Marketing & Innovation) Ms Karen Biggs (Chief Executive) Mr George Lambis (Director of Finance) Mr Anthony Pearson (Director of Human Resources and L&D) Mr Gary Rogerson (Director of Operations until 26 September 2019) Mr Christen Williams (Director of Operations from 7 January 2020)
SECRETARY	Mr George Lambis
REGISTERED OFFICE	Phoenix House 68 Newington Causeway London SE1 6DF
BANKERS	Barclays Bank plc Level 27 1 Churchill Place London E14 5HP
AUDITOR	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
REGISTERED CHARITY NUMBER	284880
COMPANY NUMBER	1626869
OFFICE OF THE SCOTTISH CHARITY REGULATOR REGISTERED NUMBER	SC039008
REGULATOR OF SOCIAL HOUSING NUMBER	H 3795

CHAIR'S INTRODUCTION

This report marks the end of our 3-year corporate plan. Launched in 2017 Confident About Recovery set out to demonstrate our excellence, develop new innovative services and approaches and challenge the life limiting stigma people who use our services experience.

Our achievements against the plan have been considerable: we have been recognised for our commitment to our staff in the Best Companies Survey, our regulatory outcomes have demonstrated our excellence in service delivery and we have continued to innovate new approaches to support people in most need. We have also invested in our accommodation-based services refurbishing all of our registered care and housing properties to create warm, homely and modern environments for people to live in.

We have been able to do this due to the dedication and commitment of our staff and the contribution of our passionate volunteers. I would like to pass on my thanks to them on behalf of the Board.

As we look to the future we will build on the work of the last 3 years. Our new strategy Sustainable Recovery sets no less ambitious objectives to support our staff and develop our service delivery. We will continue to speak out against stigma and unequal access to healthcare and build on our long track record of environmental work.

In these uncertain times we have seen the value of charities and the vital role they play in crisis situations. I am proud of the approach Phoenix Futures has taken through the early stages of the COVID-19 pandemic. As other health and social care organisations refocused on the pandemic we were able to continue to be there for the people who required our support when they needed us most.

Phoenix Futures is a value driven charity. These values have served us well and will continue to do so as we face the challenges of the future and deliver our aspirations for Sustainable Recovery.

I would like to thank all our partners and donors who have supported us in our aims over the last year and to my colleagues on the UK Board and the Scotland Board who provide excellent governance, support and oversight throughout the year.

Dr Susan Kinnaird

Chair of Phoenix Futures

PHOENIX HOUSE

STRATEGIC REPORT

The Directors present their Strategic report for the year ended 31 March 2020.

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

- We are a specialist treatment provider of **psychosocial services to people with drug and alcohol problems**
- We deliver services in **prison and the community** to individuals experiencing problematic drug and alcohol use
- We are the **largest provider of residential rehabilitation** services for people with substance misuse issues
- We are the only **specialist substance misuse registered housing provider**
- We deliver a number of initiatives across the country that address **stigma** and demonstrate the impact of treatment and the potential of people in recovery
- 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 our service users, staff and stakeholders. We use them to help us make decisions and ensure that the way we behave as individuals and collectively meets our expectations and the expectations of those we seek to support.

Our Purpose

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

Our Values and Beliefs

- **We are passionate about recovery**

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

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

  We believe you can only really know who you are if you understand and respect where you have come from. We have learned much as an organisation over the last 50 years and use that wealth of knowledge to create a bright and brilliant new future for those in need of hope today.

- **We believe in being the best**

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

Our Services

Residential Rehabilitation Services

We have 4 residential rehabilitation services across the UK and are the largest provider of residential rehabilitation services for people with substance misuse issues. We are committed to delivering the very best services as efficiently and effectively as we can.

Criminal Justice Services

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

Psychosocial Provision in the community

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

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 and stigma faced by people in recovery mean that an increasing number of people in recovery find it hard to access appropriate housing. This puts treatment gains and investment at risk for these people. A safe home is the foundation of long-term recovery. Our housing income accounts for 11% of our total income but plays a vital role in helping us to deliver our purpose, we currently have 178 housing units for people in treatment or recovery of which we own 65 which constitutes 37%.

Phoenix Scotland

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

Confident About Recovery – Achievements through our 2017-20 strategy

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

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

Confident About Recovery – Achievements through our 2017-20 strategy (Continued)

In 2017 we launched our new strategy Confident About Recovery. We set ourselves some big ambitions, we committed to:

- A confident voice about recovery including challenging stigma.
- Improving the quality of our services and support services.
- Delivering new and innovative programmes across all sectors of our work that met the challenges of the new austerity environment.

We are pleased with the progress made against the objectives we set.

We knew it was going to be a difficult time for people who use our services and for the sector. Less is being spent on substance misuse services and people are being left to cope in the most desperate of circumstances for longer. People are dying on our streets and in our prisons, people who need society's help, not neglect. The legacy of the stigma of addiction continues to hinder access to treatment and the resources people in recovery need to progress in life.

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

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

- We supported 60,000 people in specialist psychosocial treatment.
- We have demonstrated our excellence in residential rehabilitation services achieving Outstanding and Good by Care Quality Commission (CQC) inspections for all of our residential rehabilitation services in England and Excellent/Very Good in Scotland from the Care Inspectorate.
- We opened a groundbreaking housing service for people in active use. Progress House in Lewisham, London supports people to access those first important steps towards treatment whilst giving them a safe and comfortable living environment.
- We launched new services in prison and community and welcomed staff from across the sector.
- We invested £1m in a new sector leading residential service in Glasgow creating a sector leading specialist service enabling people with physical accessibility needs to benefit from residential treatment in a fully accessible building.
- We have created more accommodation for people who want a landlord that understands their recovery journey, and we have invested in improving the properties we already have because we know people deserve the very best living environment whatever experiences in life they have had.
- We achieved 5 Stars Recognised for Excellence Award through the European Foundation for Quality Management (EFQM).
- We achieved our highest positioning of 35th in the Best Companies Top 100 companies to work for.
- We achieved the Investors in Volunteers accreditation and helped people gain new skills and valuable volunteer experience.

Confident About Recovery – Achievements through our 2017-20 strategy (Continued)

- We expanded our environmental sustainability initiatives, allowing more people to learn how they can protect the environment and support their own health and wellbeing.

- We have spoken out about the need for continued investment in drug and alcohol services on behalf of the people who use our services.

- We have done all of that whilst maintaining our financial stability.

Sustainable Recovery – Our Aspirations and Ambitions 2020-23

The context for our new strategy

Many of the issues we faced over the course of the last strategy still pervade society. The substance misuse sector has experienced a decade of reduced funding which has impacted the sector's ability to deliver the range of evidence-based interventions required to meet people's needs. Funding for drug and alcohol treatment reduced from £750m in 2014-15 to £600m in 2018-19.

The reduced public spend over the decade within health and social care generally has also created a higher level of social deprivation which means people are experiencing a number of different serious physical and mental health conditions by the time they get to our services.

That perfect storm has resulted in the highest drug related deaths ever recorded in England and Scotland. Most people who die of drug poisoning are poor, isolated and experience a range of other social and health issues. Over a quarter had already attempted suicide and two thirds had a mental health condition.

The **Scottish Government** has begun to address the issue with increased funding for addiction services and the creation of a taskforce to identify actions to reduce the deaths from drug use. In 2019 the Scottish Government launched their new strategy Rights Respect and Recovery which set out a rights-based approach to treatment and recovery.

In England the Home Office has commissioned a review of drug treatment led by Dame Carol Black. The UK government has also committed to a new Addictions Strategy which will set out for the first time a strategic approach to gambling addiction as well as a series of approaches to support people with alcohol and drug addiction.

The principles guiding our work over the next 3 years

- We deliver services that sustain recovery

- We are a charity with the skills and resources to sustain delivery

- We are people that make a sustainable difference to the world we live in

Our Ambitions for 2020-21

We will develop more specialist evidence-based approaches to treatment and recovery that use our expertise and experience in psychosocial treatment. To achieve this, we aim to:

- Launch our clinical interventions review project
- Increase our relationships with research bodies to develop more evidenced based psychosocial interventions.

Our Ambitions for 2020-21(continued)

We will make it easier for people to perform their roles by:

- Implementing the next phase of our learning and development approach, Future Learn and create a bespoke competency framework for the whole organisation
- Reviewing our workflow processes and procedures

We will speak out about stigma and discrimination and support our staff and people who use our services to live carbon neutral lives. To achieve this, we intend to:

- Implement our environmental sustainability approach that will enable us to meet carbon net zero through the lifetime of the strategy
- Continue to support people to tell their stories of life in addiction and recovery.

Principal risks and uncertainties

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

As a result of these robust review processes the Charity:

- Agreed a new Corporate Strategy which commenced in April 2017; this set the focus and vision for the organisation for a 3-year period, whilst considering various risks facing the organisation. The Board is pleased with progress against the plan and the Charity is well positioned to complete its targets and aspirations. The Board is satisfied that the plans for the future allow the organisation to effectively deliver its purpose to its beneficiaries whilst protecting the Charity from undue risk.

- Regularly reviews its Risk Assurance Framework and risk map. The risk map focuses on risks that will prevent the organisation from delivering its strategic objectives and therefore its purpose. A heat map approach identifies the high, medium and low risks and the risk register then identifies the controls and mitigations to reduce risk.

- Identified the key risks as being, changes in government drug policy leading to changing priorities and impacting funding, changing requirements relating to quality standards from Care Quality Commission and Scottish Care Inspectorate, increases in historic pension shortfall requirements, increases in complexity of client demands requiring greater level of skill and expertise from staff at all levels, and the impact of increased voids on utilisation performance. The Charity's actions to mitigate such risks include:

    - Keeping up to date with policy development within government and seek to lead and influence through sector interest groups.
    - Developing new models of service delivery that meet the needs of funders.
    - Increasing the expertise within the organisation to support increased complexity of client needs.
    - Continually monitoring the application of financial strategy to ensure that the Charity maintains long term viability.

Principal risks and uncertainties (continued)

- Agreed a detailed risk map to deal with the eventualities arising from the exit from the EU. The Board is satisfied with the mitigations and actions incorporated in the risk map.

- Agreed a detailed COVID-19 risk map which identifies overarching actions and updated business continuity plans, in order to ensure that the organisation is able to meet the challenges of the impact of the virus.

As stated in the Strategic Report**,** in England, the Home Office has commissioned a review of Drug Treatment led by Dame Carol Black and the UK government has also committed to a new Addictions Strategy which will set out for the first time a strategic approach to gambling addiction as well as a series of approaches to support people with alcohol and drug addiction.

The Scottish Government has begun to address the issue of higher drug related deaths with increased funding for addiction services and a taskforce has been created to identify actions to reduce the deaths from drug use. In 2019 the Scottish Government launched their new strategy Rights Respect and Recovery which set out a rights-based approach to treatment and recovery.

COVID-19 Our response

Our response to the COVID-19 pandemic has had 3 strands:

- Protect the health and wellbeing of our staff.
- Maintain service delivery to all of the people who use and need our services and increase support where we need to.
- Work with the sector to provide leadership and support.

At the time of writing we are in the midst of the pandemic but we have found our plans have prepared us well. We have:

- Implemented remote working efficiently and effectively.
- Implemented a governance approach to managing the crisis that allows for swift decision making and innovation where needed.
- Ensured staff and service users have the protective equipment to keep themselves safe and have access to testing.
- Made changes to all of our service delivery that ensures the very best care. In some situations that has meant creating new bespoke remote approaches and in our registered care homes we have devised best practice measures which we have shared with the sector.
- Worked with the sector to respond to needs as they arise including working in partnership with other providers to support the rough sleepers ‘Everyone In’ initiative.
- Adapted our sickness and dependency leave polices to enable safe practice.
- Thoroughly assessed our workplaces to ensure they are safe and each individual staff member’s circumstances are taken into account.
- Sought to identify the people who use our services, who are at greater risk and ensure we support them appropriately.
- Used research methods to understand the impact of COVID-19 on staff and the people who use our services.

Measuring our success

Value for Money

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

Economy	***means ensuring we have sufficient resources to achieve our objectives***
Efficiency	***means using our resources wisely in line with our objectives***
Effectiveness	***means achieving the best results***

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

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

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

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

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

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

Value for Money (continued)

Regulator Metrics

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

- We provide 132 units of registered care provision and 178 units of supported housing. We do not provide general needs housing.
- The extent of support provided is driven by client need and costs vary from scheme to scheme. We are involved in tendering for services where support is required 24 hours per day and cannot therefore set targets for reduction of per unit costs as we envisage that they may increase as we increase our social return.

No	Metric	2019/20	2018/19	Comment
1	Reinvestment %	0%	21.15%	Housing is a small part of the business. We did not acquire any additional units in 2019/20. In 2018/19 we primarily invested substantial funds in the development of a 31-bed registered care facility in Scotland.
2	New Supply Delivered %	0%	23.49%	We did not deliver new supply in 2019/20. The new supply delivered in 2018/19 constituted a significant increase in percentage terms because of the, aforementioned development of a new registered care facility in Scotland and the acquisition of two 4-bed housing properties.
3	Gearing %	-166%	-146%	We do not have any debt financing or long-term loans associated with our properties. The metric covers loans less cash over fixed assets.
4	EBITDA MRI	533%	400%	The accounts show our net interest cost on defined benefit pension obligations. The increase is largely due to the increased operating surplus in the year.

Value for Money (continued)

No	Metric	2019/20	2018/19	Comment
5	Social Housing Cost Per Unit (total social housing costs/number of units owned and managed)	£18,367	£19,515	In 2019/20 there was significant investment in ongoing refurbishment and also in fire retardancy furniture rating improvements, albeit this was at a slightly lower level than in 18/19 when extensive refurbishment was carried out. We have included costs and average units for Grace House a 10 bed unit which was closed in November 19.
6a	Operating Margin Social Housing Lettings (operating surplus for social housing/turnover for social housing)	-12.61%	-16.70%	Operating margin metrics are significantly affected by registered care services' results which reflect market related funding issues. There has also been significant expenditure incurred in 2019/20 to refurbish housing stock. The deficit is lower in 2019/20 as the refurbishment costs were lower than in 2018/19 when we carried out renewals and replacements across our residential services including refurbishing a new facility in Scotland and restructuring some of our housing services.
6b	Operating Margin Overall (operating surplus overall/turnover overall)	3.79%	2.16%	The margin has increased as in 2018/19 we invested significantly in residentials and housing causing a higher deficit in these sectors of the business.
7	Return on Capital Employed (overall operating surplus / total assets less current liabilities)	8.21%	2.17%	In 2018/19 significant investment was made in transitioning the existing Scottish Registered care service into newly acquired freehold premises and in implementing a new Registered care strategy across England in order to ensure compliance with CQC requirements and deliver quality improvements. The improvement in 2019/20 relates to the reduced spend in these areas.

The metrics above include our registered care beds in line with Homes England requirements. We do not believe we have any direct comparators to enable us to benchmark. We are the only provider of specialist substance misuse housing services.

We also have the largest number of CQC registered substance misuse residential units. This is a unique mix which is reported on for VfM and as such non-comparable.

Although not comparable we have extracted data from Government data and Acuity data. We have extracted Government data covering providers with over 1000 units and only supported housing specialists. We have extracted Acuity data covering providers with less than 1000 units, both general needs and specialist providers.

Value for Money (continued)

The following data shows the comparison for 2018-19 as no comparator information is currently available for 2019-20:

	2018-19		
	HCA - Providers over 1000 units - Supported Housing Specialists	Accuity SPMB-membership information of HCA providers, with less than 1000 units.	Phoenix Futures
Operating margin (overall) %	8.0%	23.1%	2.16%
Operating margin (social housing lettings) %	12.9%	23.5%	-16.70%
EBITDA MRI (as a percentage of interest) %	228.0%	242.0%	400%
Gearing (RSH and Scorecard measure)	13.3%	17.1%	-146%
New supply delivered (Social housing units) %	0.8%	0.0%	23.49%
New supply delivered (Non-social housing units)	0.0%	0.0%	0.00%
Reinvestment %	4.2%	2.7%	21.15%
Return on Capital Employed (ROCE) %	3.4%	2.8%	2.17%
Headline social housing cost per unit £	£8,460	£4,213	£19,515

The benchmarking shows that although we perform well as a charity our margin for social housing lettings is low, mainly due to exceptional non-capitalised maintenance throughout the year, and our registered care restructure. We have a target to break even in social housing lettings. The Charity is conducting a review which involves taking specialist advice on income maximisation and other financial efficiency actions.

The comparators show that we have significantly higher unit costs than other housing associations. This is due to the specialised nature of our supply of supported housing providing intensive housing management and also the inclusion of registered care. We do not have a target to reduce this and indeed with clients presenting with ever more complex needs this cost per unit may increase. Our services meet complex need and focus on quality of provision which is likely to mean higher costs.

We do not have a target for new supply delivered - we believe in providing high quality in our existing services. We would only invest in new units should there be a need in a particular region and should the investment analysis show value for money.

Balanced Scorecard

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

Balanced Scorecard (continued)

The numbers presented below are an extract from our Balanced Scorecard. The information disclosed relates to all sectors of business provided by the Charity.

Extract from Balanced Scorecard

Measure	2018-19 Outturn	2019-20 Target	2019-20 Outturn
Media Reach*	1,460	2,000	1,594
% increase in the Treatment Improvement Score	41%	40%	47%
Service User Satisfaction Rate**	3.8	4.3	4
External Regulatory and Assessment Score (CQC)	Good	Good	Good
Number of Tribunals	0	0	0
No. of volunteers	146	150	159
Staff Satisfaction Score (Internal)	n/a	85%	90%

* This is a daily average of number of people reached through our Facebook page content.
** This is an average of overall satisfaction score. Service users rank their satisfaction on a scale of 0 to 5 Where 0 is very poor and 5 is excellent.

Summary of progress against balanced scorecard indicators

We are pleased to have made progress against our stakeholder targets, Phoenix's key commissioners and funders, the wider society and environment.

Our 2019-20 social media reach has improved over our 2018-19 performance and the review we are undertaking into social media engagement should see us achieve our target in 2020-21. We have set an aspirational target to reach more people as part of our commitment to engaging external stakeholders. We believe it is important to demonstrate the value for money we offer and the importance and value of drug and alcohol treatment to society in an environment of reduced funding into the sector.

We are particularly pleased that our treatment improvement scores have increased throughout 2019-20 and are significantly above our target score despite the increasing complexity of client need and limited resources across the drug and alcohol treatment sector. We are pleased to have exceeded our treatment improvement target in an environment where many of the ancillary services on which our service users rely have come under pressure from funding cuts. This has increased the pressure on our services to meet increased complexity of client need whilst maintaining treatment gains. We chose not to reduce our target in this area due to the challenges within the environment in which we work and we are pleased to have in fact exceeded the target.

Our 2019-20 service user satisfaction has improved on the 2018-19 outturn and although slightly below our target, it is improving. Despite working in some highly complex settings, we have set a stretch target that aims to encourage us to aspire to continuously improve the experience of the people who use our services in community, residential, housing and prison settings. Our Business Process indicators highlight some areas of strong performance.

Volunteer recruitment and retention have worked effectively and enabled us to exceed our target. Voluntary support is a valuable addition to our service delivery, bringing diverse skills and experiences to our provision.

Balanced Scorecard (continued)

Summary of progress against balanced scorecard indicators (continued)

Most notably we are very pleased with our regulatory ratings for residential services. All services have achieved a rating of Good and we will continue to develop services to offer support for people with more complex needs. This is an important measure of our Care Quality Commission (CQC) registered services. Achieving Good is a high standard and evidences that we are a well-led organisation that is operating safely, offering a high standard of effective care that is responsive to the needs of people who use our services.

Our People measures reflect a very high score for staff satisfaction as measured by our November 2019 staff satisfaction survey. The same survey also highlighted the high level of affinity between our purpose and our staff's life experiences. 68% of staff have had either direct or indirect experience of drug and alcohol problems. This is an important measure for a charity working in our sector. We stopped using the Best Companies to Work For survey in order to gain greater detail and more specific insight into our organisation. This has meant that we do not have a comparator for 2018-19 but we will have going forward by comparing our annual internal staff satisfaction results. Staff satisfaction is an important measure for all organisations but especially so for Phoenix as the quality of our staff interaction with our clients is the direct driver for the impact we create as an organisation for individuals, families and society. We set the target knowing that our staff are highly aligned to our purpose and values as an organisation. We are delighted to have exceeded the target during this period and by maintaining our internal staff survey annually we will be able to measure progress and seek to continuously improve organisational performance through our people's expertise and passion.

Our aim throughout this period is to maintain our level of voluntary support in order to offer the right mix of support for our services and service users whilst ensuring the experience of our volunteers is to a high standard.

Registered Care KPI's

Registered Care									
	2017-18			2018-19			2019-20		
KPI	Benchmark Average	Phoenix Target	Phoenix Actual	Benchmark Average	Phoenix Target	Phoenix Actual	Benchmark Average	Phoenix Target	Phoenix Actual
% Improvement in Physical Health	26%	50%	62%	27%	50%	54%	26%	50%	41%
% Improvement in Psychological Health	45%	60%	96%	45%	60%	68%	44%	60%	72%
% Completed Residential Treatment	67%	60%	60%	64%	60%	61%	64%	60%	63%
Service User Satisfaction Rate	90%	90%	94%	90%	90%	90%	90%	90%	95%

Registered Care Benchmarking

We use Public Health England (PHE) outcomes reports to benchmark our registered care performance. These reports include data of people supported through residential rehab in England.

Balanced Scorecard (continued)

Housing KPI's

Housing									
	2017-18			2018-19			2019-20		
KPI	Benchmark Average	Phoenix Target	Phoenix Actual	Benchmark Average	Phoenix Target	Phoenix Actual	Benchmark Average	Phoenix Target	Phoenix Actual
Service User Satisfaction Rate	92%	90%	98%	92%	90%	96%	92%	90%	99%
Planned Move ons	N/A* *No data available*	80%	78%	N/A* *No data available*	80%	80%	N/A* *No data available*	80%	81%
Occupancy Rate	95%	95%	89%	96%	95%	91%	96%	95%	95%
Bad Debt	2.1%	2%	1.6%	2.0%	2%	1.8%	2.0%	2%	2.1%

Housing Benchmarking

We use SPBM (Smaller Providers Benchmarking) annual reports to benchmark our performance. The SPBM annual report includes data of 140 small providers managing 72,000 homes in England.

KPI Targets

We have set our KPI targets using one or both of the below:
- External market data wherever comparative data is available
- Internal Phoenix data i.e. average level of performance

Summary of progress against Housing and Registered Care Key Performance Indicators

Our registered care and housing provide both standalone support for individuals and families as well as acting as an integrated treatment and housing pathway of support. This enables people to access registered care and move on to our specialist housing to sustain the treatment gains they have made in an appropriate setting.

This pathway enables us to very effectively support people with substance use problems who have experienced homelessness. For example, 55% of our registered care service users have recent experience of homelessness.

Furthermore, our registered care services provide for people with a range of complex needs. 87% of our service users have experienced trauma, 40% have a disability and 67% have a diagnosed mental health need in addition to a substance use problem (Footprints 2020 survey).

Across the registered care sector treatment completion rates tends to reduce as service user care needs increase. Despite Phoenix providing for people with above average care needs we compare well to the sector average. Additionally, we have consistently outperformed our treatment completion target. The performance of our services in relation to mental and physical health, compared to the sector average, is excellent and evidences the quality of our support for people with higher care needs.

This enables people leaving our registered care to move on to more independent housing with significantly improved physical and mental health. Our specialist housing continues to support residents to improve their overall wellbeing and performs excellently in the areas of service user satisfaction, planned move-ons and occupancy. As our housing services offer a unique model we are not able to compare to a sector average on planned move-ons, however we have consistently achieved our targeted performance.

Carbon Emissions report

Emission Reduction Strategy

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.

Net Zero Carbon emissions will be achieved by 2023, 27 years before the government-mandated national target for Net zero emissions.

This will be achieved through a range of initiatives including:

Carbon reduction programmes

- Switching all energy supplies to renewal energy, by November 2020 – As of November 2019, all electricity supply moved over to renewable sources and smaller housing units moved over to renewable gas supplies.
- Reducing our carbon usage in our Black Fleet (company cars and minibuses), and our Grey Fleet (staff vehicles), through reductions in private vehicle usage via increased deployment of technology (such as Microsoft Teams).
- Implementing processes and behaviours that reduce the use of carbon in our offices and our accommodation-based services.
- Educating staff and people who use our services about carbon reduction behaviours and approaches.

Carbon Capture programmes

Over the last 8 years Phoenix has planted over 1,100 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.

Carbon reduction initiatives 2019-20

In 2019-20 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 to net zero by 2023.
- Made the decision to switch energy supplies as soon as practically possible. We've switched 100% of electricity usage and 33% of gas usage to renewables as of November 2019 and will have migrated the remaining 66% of gas usage to renewable sources as of November 2020.
- Calculated the carbon capture of our phoenix forest programme.
- Reduced our travel by 15% – we have done this by an increased use of remote meeting technology and approaches.

Carbon Emissions report (Continued)

Our carbon data for 2019-20:

	CO2 Tonnes	kWh
Gas	346	2,447,628
Black Fleet	30	124,822
Grey Fleet	55	224,723
Public Transport	44	N/A
Electricity	109	613,979
Total	**584**	**3,411,152**
Emissions ratio	32 CO2 tonnes per £m of turnover	

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 and is therefore an actual reflection of kWh usage.
- The CO2e conversion factor was taken from the Governments 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.

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

Calculation:

- Black Fleet
  - (Total kWh used) x (CO2e conversion factor) / 1000 = CO2 Tonnes
  - (Total expense) / (Fuel cost) = (Litres of Fuel)
  - (Litres of Fuel) x (CO2e conversion factor) / 1000 = (CO2 Tonnes)

- Grey Fleet
  - (Cost of Mileage claimed) / (MPG cost of fuel) = (Gallons of Fuel)
  - (Gallons of fuel) * 4.55 = (litres of fuel)
  - (Litres of fuel) * (CO2e conversion factor) / 1000 = CO2 Tonnes

Carbon Emissions report (Continued)

Methodologies used to capture data (Continued)

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. This means the figure is reasonably estimated. 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 vehicle have been used, the average fuel cost in MPG 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) * (kgCO2e conversion factor) /1000 = CO2 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 2020/21 include:

- Switching the remaining 66% of gas usage to renewable sources.
- Continuing to reduce fuel emissions by reducing the need for travel and where possible switching to lower carbon means of travel – flying.
- Developing community partner relationships – such as with the John Muir Trust
- Developing environmental education initiatives

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. Phoenix are 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 work place 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.

Section 172 Companies Act Statement (continued)

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 5 sub-committees:

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

As an example, the Executive Team Workplan and the Balanced Scorecard are approved and subsequently monitored by the Board at every meeting 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. As an example, the Executive Team had assessed the risks associated with COVID-19 very early on. The resulting decision to temporarily close Central Office was made well in advance of the Government's lockdown announcements and hence the changes could be managed in a timely and appropriate way ensuring an almost seamless move to remote working.

Key management performance review

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.

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 ensure 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.

Section 172 Companies Act Statement (continued)

Customers

Our customers fall into two broad groups: Service Users and Funders.

How we engage customers

- Service User Insight – we segment and analyse behavioural data through ongoing research into the effectiveness of our services for our service users and benchmark where possible against market comparators.
- Service User Involvement – our service users are directly involved in decisions that affect them through our coproduction processes within each of the settings in which we work.
- Service User 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 evidenced by the EFQM quality model.

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.

Outcomes

We are able to offer added value to the people we support by using partnerships that offer support for the whole person as evidenced by our ‘whole-person’ outcome star measurement tool.

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.

Section 172 Companies Act Statement (continued)

Suppliers (continued)

How we engage

- We segment and manage suppliers with appropriate levels of management depending on the segment into which they fall.
- We assess all key partnerships to ensure financial viability and a 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

Directors live and promote the culture and values of the Organisation. For example, all participate in the corporate induction which all new staff attend. All Directors participate in the annual Chief Executive Roadshows.

How we engage

- Staff surveys – we monitor our staff and volunteer experiences through regular comprehensive surveys.
- Health, Safety and Wellbeing focus – we are committed to creating safe work environments that support the wellbeing of our staff and volunteers.
- Monitoring KPIs in relation to sector benchmarks – we monitor our performance against key indicators such as staff turnover and sickness absence.

Outcomes

Our staff report high levels of engagement with our organisational values and high level of satisfaction and reward through their work, as evidenced by our staff survey results.

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.
- Service user voice on policy – we encourage and facilitate service users 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.

Section 172 Companies Act Statement (continued)

Society (continued)

Outcomes

We are working towards a carbon-neutral status as a key strategic objective.

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.

Amy Winehouse Foundation
Bellahouston
Big Lottery Fund
Essex Police, Fire and Crime Commissioner
Fife Alcohol & Drug Partnership (ADP)
Hugh Fraser Foundation
JTH Charitable Trust
Martin Geddes Charitable Trust
Open Gate Foundation
Phoenix Association
Pilkington Charities Fund
Souter Charitable Trust
The Sheffield Church Burgesses Trust

We would especially like to thank the family of our much-missed ex-Director of Operations Gary Rogerson for supporting our residential rehab services. Access to Residential Rehab services was an issue very close to Gary's heart.

Fundraising

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

Approved by the Board of Directors on 24 September 2020 and signed on behalf of the Board by:

George Lambis
Company Secretary

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2020.

Results for the year

The Results for the year ended 31 March 2020 for the Charity are shown in the Statement of Comprehensive income on page 33.

Excluding any profit on the disposal of fixed assets, the Charity generated an operating surplus of £715k (2019: £397k) as shown below.

	2020 £'000	2019 £'000
Turnover	18,944	18,417
Operating expenditure	(18,229)	(18,020)
Operating surplus before surplus on sale of housing properties	715	397

The Board is pleased with the Charity's operating results which have been achieved in a very difficult market.

The reduction in public spending in the substance misuse sector in recent years has been significant and pricing in tenders has become an increasingly important factor in tender awards. Where contracts for services continue to be tendered in very competitive conditions the Charity made a strategic decision to reduce reliance on such contracts and focus on full overhead recovery rather than high risk growth. In accordance with its 3-year Corporate Plan which commenced in April 2017 the Charity therefore re-directed tender strategy away from high risk/low margin services and focused on the provision of services in which it can demonstrate expertise and quality.

As a result of this decision, the Charity increased its Community services income in Essex whilst its Central Lancashire and Glasgow Peer Mentor services came to an end. As a result of this change the net increase to income was £0.85m (2019: reduction of £1.25m). Prison and Housing services income remained largely unchanged whilst Registered Care income decreased by £0.2m (2019: increase of £0.6m) primarily reflecting the closure of the Charity's Grace House women's specialist service in Camden.

Whilst overall income increased by 2.9% overall expenditure only increased by 1.2% as significant amounts of expenditure were invested in the Charity during the previous financial year which was not repeated in the year ended 31 March 2020. Such expenditure included the transitioning of the Scottish Registered care service into newly acquired freehold premises, implementing a new Registered care strategy across England in order to ensure compliance with CQC requirements, and property refurbishment, whilst a non-consolidated payment to staff was also made in the year ended 31 March 2019.

Social Housing Pension scheme (continued)

Future Prospects

The substance misuse sector has experienced a decade of reduced funding which continues to decline with overall expenditure now estimated at approximately £600m.

The Board believes that operating conditions will be particularly difficult in the context of COVID-19 and the UK's exit from the EU. 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, Registered Care and Housing in England.

During the prior year, the Charity invested in its services in Scotland by acquiring a freehold interest in Glasgow from which it will operate its Registered Care services. The service sets a new standard in residential care. 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 and Brexit Maps and the current economic environment created by COVID-19 uncertainty.

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.

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

Cash flow risk

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

Price risk

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

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS

The Board reviewed the Charity's compliance with the governance and financial viability standard in September 2019 and September 2020. No areas of non-compliance were identified.

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

Good Governance

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

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

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

Internal Control

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

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

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

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

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

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

Risk management

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

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS (continued)

Monitoring and corrective action

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

Control environment and control procedures

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

Information and financial reporting systems

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

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

Fraud prevention, detection and reporting

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

Review

The Directors, through the Audit & Control and Clinical Governance Committees, have reviewed the effectiveness of the Charity's system of internal financial control in operation during 2019-20 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 Charity's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Charity's auditor was aware of that information.

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

Directors

The Directors who served during the year were as follows:

Professor Annie Bartlett (Vice-Chair)
Mrs Dorothy Brown
Dr Karim Dar
Ms Susan Ellenby
Mr Mike Ewart (resigned 28 November 2019)
Dr Susan Kinnaird (Chair)
Ms Emanuele Labovitch
Sheriff David Nicol Mackie (joined 28 November 2019)
Mr Iain McGourty
Mr Ian Watson

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

Auditor

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

Approved by the Board of directors on 24 September 2020
and signed on behalf of the Board by

George Lambis
Company Secretary

Registered number 1626869

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

Opinion

We have audited the financial statements of Phoenix House (the "Charitable Company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 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 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

INDEPENDENT AUDIOR'S REPORT TO THE MEMBERS AND TRUSTEES OF PHOENIX HOUSE LIMITED (continued)

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the Director's responsibilities statement in respect of the financial statements set out on page 26, the Directors (who are also the trustees of the Charitable Company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 trustees either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006, 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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's trustees, 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 Charitable Company's members and trustees 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 Charitable Company and the Charitable Company's members as a body, and the Charitable Company's trustees as a body for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

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

25 Moorgate
London
EC2R 6AY

Date: 25/09/2020

PHOENIX HOUSE

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	18,944	18,417
Operating expenditure	2	(18,229)	(18,020)
Surplus on sale of housing properties	10	848	-
Operating surplus		1,563	397
Interest receivable	6	93	75
Interest payable and financing costs	7	(200)	(184)
Surplus for the financial year	8	**1,456**	**288**
Other Comprehensive Income			
SHPS transitional amount	23	-	(2,589)
Actuarial gain/(loss) on defined benefit pension liability	23	4,983	(1,929)
Total comprehensive income for the financial year		6,439	(4,230)

PHOENIX HOUSE

STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets - housing properties	11	6,354	6,568
Other tangible fixed assets	12	1,010	1,144
		7,364	7,712
Current assets			
Debtors	13	2,185	2,288
Cash and cash equivalents		12,189	10,884
		14,374	13,172
Creditors: amounts falling due within one year	14	(2,690)	(2,575)
Net current assets		11,684	10,597
Total assets less current liabilities		19,048	18,309
Creditors: amounts falling due after more than one year	15	1,006	1,327
Provisions for liabilities and charges			
Provisions for liabilities	16	96	116
Defined benefits pension liability	23	3,435	8,794
Capital and Reserves			
Share capital	18	-	-
Revenue reserve	19	13,456	8,072
Restricted Reserve	19	1,055	-
		19,048	18,309

The financial statements were approved and authorised for issue by the Board of Directors on 24 September 2020 and were signed on its behalf by:

Susan Kinnaird (Sep 24, 2020 18:22 GMT+1)

S. Kinnaird
(Director)

I. Watson
(Director)

PHOENIX HOUSE

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
for the year ended 31 MARCH 2020

	Share Capital £'000	Restricted Reserves £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2019	-	-	8,072	8,072
Surplus for the year	-	-	1,456	1,456
Transfer to restricted reserves	-	1,055	(1,055)	-
Other Comprehensive income				
- Actuarial movement on defined benefit pension scheme in the year	-	-	4,983	4,983
Total comprehensive income	-	1,055	5,384	6,439
At 31 March 2020	-	1,055	13,456	14,511

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

PHOENIX HOUSE

STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Net cash generated from operating activities	A	589	119
Cash flow from investing activities			
Interest received		93	75
Recycled Grant Fund returned		(279)	-
Purchase of tangible fixed assets		(96)	(1,472)
Net proceeds from disposal of housing properties		998	-
Net cash generated from / (used in) investing activities		716	(1,397)
Net increase / (decrease) in cash and cash equivalents		1,305	(1,278)
Cash and cash equivalents at beginning of year		10,884	12,162
Cash and cash equivalents at end of year	B	12,189	10,884

NOTES TO THE STATEMENT OF CASHFLOWS for the year ended 31 MARCH 2020

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

	2020 £'000	2019 £'000
Surplus for the year	1,456	288
Interest receivable and similar income	(93)	(75)
Interest payable and similar charges	200	184
Profit on sale of housing properties	(848)	-
Loss on disposal of tangible fixed assets	-	(10)
Depreciation charge on tangible fixed assets	291	305
Decrease/(Increase) in debtors	105	(90)
Increase in creditors	84	326
Decrease in provisions	(20)	(24)
Movement in pension liability	(586)	(805)
Net cash inflow from operating activities	589	119

B CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash at bank and in hand	12,189	10,884

1 Accounting policies

General information

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

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

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

Basis of accounting

The Financial Statements of the Charity are prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Housing SORP 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 2019.

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

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

Going concern

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

The Charity's response to the COVID-19 pandemic has 3 strands:
- Protecting the health and wellbeing of its staff.
- Maintaining the service delivery to all of the people who use and need its services and increase support where it needs to.
- Working with the sector to provide leadership and support.

The Charity has developed a COVID-19 risk map and action plan which included the creation of business continuity plans to empower the organisation to continue to manage its services and administrative offices.

The Charity has evaluated the impact of COVID-19 on its budget for 2020-21 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.

The Board reviewed the Charity's financial viability and it is satisfied that the Charity is a going concern and it is in a strong position to face the COVID-19 challenge.

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.

1 **Accounting policies (continued)**

Key sources of estimation uncertainty and judgements (continued)

Critical judgements in applying the Charity's accounting policies

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

Identification of housing property components

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

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

Identification of cash generating units for impairment testing

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

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

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

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

Key sources of estimation uncertainty

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to 'technological obsolescence' with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2020 was £2,680k (2019: £2,572k).

1 **Accounting policies (continued)**

Key sources of estimation uncertainty and judgements (continued)

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 2020 was £17k (2019: £18k)

Bad debt provision

The trade debtors balance of £1,355k (2019: £1,250k) is recorded in the Charity's Statement of Financial Position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. The bad debt provision at 31 March 2020 was £27k (2019: £26k).

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 2019-20 financial year. A liability of £3,435k is recorded the statement of financial position at 31 March 2020.

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.

1 Accounting policies (continued)

Tangible Fixed assets (continued)

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

Housing properties

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

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

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 Charity becomes party to the contractual provisions of the financial instrument.

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

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

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

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

1 **Accounting policies (continued)**

Financial Instruments (continued)

Financial assets are only derecognised when and only when:

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

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

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

Cash and cash equivalents

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

Impairment

Non-financial assets

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

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

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

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

Financial assets

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

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

1 **Accounting policies (continued)**

Impairment (continued)

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

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

Grants

Government grant

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

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

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

Government grant is repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the Government Grant repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the 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 Charity, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

1 Accounting policies (continued)

Grants (continued)

Supporting People Grant

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

Provisions

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

Short term employee benefits

Holiday pay accrual

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

Employee termination benefits

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

Operating leases

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

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

Taxation

The Charity is a registered charity 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 net of VAT.

Turnover

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

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

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

1 Accounting policies (continued)

Revenue Reserves

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

Pension scheme

Defined benefit

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

Defined benefit (Continued)

For financial years ending on or before 29 February 2019, it was not possible for the Charity to obtain sufficient information to enable it to fully account for the Social Housing Pension Scheme as a defined benefit scheme, therefore the Charity had accounted for the scheme as defined contribution scheme including accruing for known contractual obligations to fund the past service deficit. For financial years ending on or after 31 March 2019 it became possible to obtain sufficient information to enable the Charity to account for the Scheme as a defined benefit scheme; therefore, the prior year financial statements presented a period of transition, where the Charity moved from one basis of accounting to another. The adjustment to reflect additional liabilities recognised as a result of the adoption of the new basis of accounting was charged to reserves and reflected in the Statement of Other Comprehensive Income for the year end 31 March 2019 as a transition adjustment.

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 is recognised as a liability in the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income. When the contributions are not expected to be settled within 12 months after the reporting period, the liability is measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds.

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

	2020 Turnover	2020 Operating costs	2020 Operating surplus / (deficit) before surplus on sale of housing properties	2019 Turnover	2019 Operating costs	2019 Operating surplus / (deficit) before surplus on sale of housing properties
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing lettings (note 2B)	5,266	(5,930)	(664)	5,508	(6,428)	(920)
Other Social housing activities						
Revenue grants	7,181	(6,567)	614	6,343	(5,898)	445
Charitable donations and sundry income	166	(194)	(28)	209	(223)	(14)
	12,613	(12,691)	(78)	12,060	(12,549)	(489)
Non-social housing activities	6,331	(5,538)	793	6,357	(5,471)	886
Total	18,944	(18,229)	715	18,417	(18,020)	397

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

	2020			2019
	Residential care homes £'000	**Supported housing £'000**	**Total £'000**	**Total £'000**
Income from social housing lettings				
Rent receivable net of identifiable service charges	3,001	1,923	4,924	4,982
Supporting people income	-	253	253	417
Other revenue grants	73	16	89	109
Turnover from social housing lettings	3,074	2,192	5,266	5,508
Expenditure on social housing lettings				
Management	1,139	619	1,758	1,796
Housing services	395	403	798	922
Routine maintenance	73	109	182	374
Depreciation of housing properties	51	64	115	102
Staff costs	1,291	590	1,881	1,943
Property lease charges	107	349	456	493
Resident costs	453	75	528	592
Other costs	123	89	212	206
Operating costs on social housing lettings	3,632	2,298	5,930	6,428
Operating (deficit) on social housing lettings	(558)	(106)	(664)	(920)
Rent losses from voids (included in rent receivable above)	427	233	660	783

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

	2020 £'000	2019 £'000
Aggregate emoluments	484	440
Pension contributions	21	19
	505	459

Highest paid Director*:

	2020 £'000	2019 £'000
Aggregate emoluments (excluding pension contributions)	120	115
Pension contributions	7	7
	127	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 £7,246 (2019: £7,085) 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:

	2020 No.	2019 No.
Permanent staff - full time equivalent (number)	425	411
Sessional staff - full time equivalent (number)	9	11
Total employed by FTE	434	422
Average number of persons employed	507	495

4 Employee information (continued)

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

	2020 No.	2019 No.
£110,001-£120,000	1	1
£100,001-£110,000	-	-
£90,001-£100,000	1	1
£80,001-£90,000	-	-
£70,001-£80,000	2	3
£60,001-£70,000	-	-
	4	5

5 Staff costs

	2020 £'000	2019 £'000
Wages and salaries	11,758	11,645
Compensation for loss of office	43	50
Social security	1,055	1,062
Pension costs	1,022	1,240
	13,878	13,997

6 Interest receivable

	2020 £'000	2019 £'000
Bank interest receivable	93	75

7 Interest and financing costs

	2020 £'000	2019 £'000
Unwinding of discount on defined contribution pension scheme liability	1	1
Net interest cost on defined benefit pension obligations	199	183
	200	184

8	**Surplus for the year**	**2020 £'000**	**2019 £'000**
	The surplus is stated after charging:		
	Depreciation of housing properties	115	102
	Depreciation of tangible fixed assets	176	203
	Operating lease rentals payable:		
	- Land and buildings	470	272

9	**Auditor's remuneration (excluding VAT)**	**2020 £'000**	**2019 £'000**
	Fees payable to the Charity's auditor for the audit of the annual financial statements	34	30
	Fees payable to the Charity's auditor and its associates for other services to the Charity:		
	- Taxation advisory services	9	2

10	**Surplus on disposal of fixed assets**	**2020 £'000**	**2019 £'000**
	Sales proceeds	1,055	-
	Net book value	(153)	-
	Grants released	3	-
	Disposal Costs	(57)	-
		848	-

11 Housing properties

	Freeholds	Short Leaseholds	Total
	£'000	£'000	£'000
Cost			
At 31 March 2019	7,371	106	7,477
Additions	49	-	49
Disposals	(170)	-	(170)
At 31 March 2020	7,250	106	7,356
Depreciation			
At 31 March 2019	803	106	909
Charge for year	115	-	115
Disposals	(22)	-	(22)
At 31 March 2020	896	106	1,002
Net book value			
At 31 March 2020	6,354	-	6,354
At 31 March 2019	6,568	-	6,568

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 2020 was 310 (2019: 324).

149 bed spaces (2019: 158) were managed by the Charity but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

12 **Other fixed assets**	**Long leasehold investment £'000**	**Leasehold property improvements £'000**	**Office furniture & equipment £'000**	**Motor vehicles £'000**	**Total £'000**
Cost					
At 31 March 2019	508	785	1,209	305	2,807
Additions	-	-	47	-	47
Disposals	-	(18)	(96)	(52)	(166)
At 31 March 2020	508	767	1,160	253	2,688
Depreciation					
At 31 March 2019	50	271	1,040	302	1,663
Charge for year	10	93	72	1	176
Disposals	-	(15)	(94)	(52)	(161)
At 31 March 2020	60	349	1,018	251	1,678
Net book value					
At 31 March 2020	448	418	142	2	1,010
At 31 March 2019	458	514	169	3	1,144

13 Debtors

	2020 £'000	2019 £'000
Arrears of charges to statutory bodies and others	258	202
Amounts due from contractual income	1,097	1,048
	1,355	1,250
Less provision for bad debts	(27)	(26)
	1,328	1,224
Other debtors	30	26
Prepayments and accrued income	827	1,038
	2,185	2,288

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	586	571
Payments in advance	412	273
Taxation and social security costs	260	346
Other creditors	118	233
Accruals, deferred income and grants received in advance	1,010	863
Recycled capital grant fund (note 17)	294	279
Multi-employer pension scheme (note 23)	10	10
	2,690	2,575

15 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Deferred grants	969	986
Multi-employer pension scheme (note 23)	37	47
Recycled capital grant fund (note 17)	-	294
	1,006	1,327

The Charity has historically recognised housing properties acquired at fair value and the associated government social housing grant, under the performance model of accounting. £980k (2019: £980k) is therefore potentially recyclable on disposal.

16 Provisions

Onerous leases and dilapidations	2020 £'000	2019 £'000
At 1 April	116	140
Movement in provision		
Additions	15	11
Released	(35)	(35)
As at 31 March	96	116

17 Recycled capital grant fund

	2020 £'000	2019 £'000
Balance at 1 April	573	573
- Repayment of funds to Homes England	(279)	-
Balance at 31 March	294	573
Amount due for repayment to Homes England (due within one year)	294	279

18 Share Capital

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

19 Reserves

Revenue reserve

The revenue reserve represents cumulative profits and losses.

Restricted reserve

The restricted reserve represents the proceeds of disposal of the Charity's freehold properties which are required to be reinvested in accordance with a specific covenant.

20 Incorporation

The Charity is registered with the Regulator of Social Housing and prepares its accounts under the Accounting Direction for Private Registered Providers of Social Housing 2019. It is incorporated under the Companies Act 2006 and registered in England and Wales.

21 Leases

	2020 £'000	2019 £'000
For leases expiring:		
Within one year	211	221
Between two and five years	258	51
After five years	-	-
	469	272

22 Contingent liabilities and assets

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

23 Pension Scheme Arrangements

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

The Charity also contributes to a Defined Contribution scheme with SHPS which has 345 (2019: 361) active members.

23 **Pension Scheme Arrangements (continued)**

Social Housing Pension Scheme ("SHPS")

Pension scheme liabilities recognised in the Statement of Financial Position

	2020 £'000	2019 £'000
Pension obligations recognised as Defined Benefit schemes	3,435	8,794
Defined contribution schemes:		
-Growth Plan	47	57
As at 31 March	3,482	8,851

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

For financial years ending on or before 28 February 2019, it was not possible for the Charity to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Charity accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Charity to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 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.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

23 Pension Scheme Arrangements (continued)

Historic pension deficit contributions of £869k are payable by the Charity for the year ended 31 March 2021.

Statement of Financial Position	**2020 £'000**	**2019 £'000**
Fair value of plan assets	26,363	25,356
Present value of defined benefit obligations	(29,798)	(34,150)
Net liability	(3,435)	(8,794)

Principal actuarial assumptions at the financial position date:

	2020 £'000	**2019 £'000**
Discount rate	2.37	2.33
Rate of inflation (RPI)	2.60	3.28
Rate of inflation (CPI)	1.60	2.28
Salary growth	2.60	3.28
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 2020 Years**	**At 31 March 2019 Years**
Male retiring in 2020/2019	21.5	21.8
Female retiring in 2020/2019	23.5	23.5
Male retiring in 2040/2039	22.9	23.2
Female retiring in 2040/2039	24.5	24.7

23 **Pension Scheme Arrangements (continued)**

Amounts recognised in the Income Statement	**2020 £'000**	**2019 £'000**
Net interest on defined benefit liability	199	183
Expenses paid	34	34
	233	217

Amounts recognised in Other Comprehensive Income	**2020 £'000**	**2019 £'000**
Experience on plan assets	407	366
Experience gains arising on plan liabilities	215	27
Effects of changes in demographic assumptions underlying the present value of scheme liabilities	294	(95)
Effects of changes in financial assumptions underlying the present value of scheme liabilities	4,067	(2,227)
	4,983	(1,929)
Transition adjustment	-	(2,589)
	4,983	(4,518)

Reconciliation of movements on the defined benefit obligation	**2020 £'000**	**2019 £'000**
Defined benefit obligation at the start of the period	34,150	31,611
Administration cost	34	34
Interest expense	791	808
Actuarial (gains) and losses	(4,576)	2,295
Benefits paid	(601)	(598)
Defined benefit obligation at the end of the period	29,798	34,150

23 Pension Scheme Arrangements (continued)

Reconciliation of movements on the fair value of plan assets	**2020** **£'000**	**2019** **£'000**
Fair value of plan assets at the start of the period	25,356	24,134
Interest income	592	625
Contributions by the employer	609	829
Experience on plan assets	407	366
Benefits paid	(601)	(598)
Fair value of plan assets at the end of the period	26,363	25,356

The actual return on the plan assets over the period ended 31 March 2020 was £999,000.

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

Categories of assets held by the Plan

	2020 **£'000**	**2019** **£'000**
Equity	3,856	4,266
Bonds	12,582	12,579
Property and infrastructure	2,999	2,274
Absolute return	1,375	2,194
Alternative risk premia	1,843	1,462
Insurance linked securities	810	727
other	2,898	1,854
	26,363	25,356

23 **Pension Scheme Arrangements (continued)**

Growth Plan

The Charity participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Charity to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

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

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

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

To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

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

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

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

23 **Pension Scheme Arrangements (continued)**

Growth Plan (continued)

Present value of provision	**2020 £'000**	**2019 £'000**
As at 31 March	47	57

Reconciliation of opening and closing provisions	**2020 £'000**	**2019 £'000**
Provision as at 1 April	57	66
Unwinding of the discount factor	1	1
Deficit contributions paid	(10)	(8)
Impact of changes in assumptions	(1)	(2)
As at 31 March	47	57

Assumptions	**2020 % per annum**	**2019 % per annum**
Rate of discount	2.53	1.39

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

24 **Ultimate controlling party**

There is no ultimate controlling party.

25 **Related party transactions**

During the year, the Charity received a £10k donation from a Board member, (2019: £10k).

Key Management personnel	**2020 £'000**	**2019 £'000**
Remuneration paid to Key Management Personnel were:		
Remuneration (as per note 3)	505	459
Employer's social security costs	60	55
	565	514