

A photograph of a woman with dark skin and curly hair, wearing glasses and a pink zip-up hoodie. She is smiling and holding a single yellow flower (likely a daffodil) in her hands. The background shows a brick building with white-framed windows and some bushes.

# ANNUAL REPORT AND FINANCIAL STATEMENTS

2014/2015

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2015



Raja and family, Wembley

# THE BOARD, EXECUTIVE OFFICERS, AUDITORS, BANKERS, LEGAL ADVISORS, REGISTERED OFFICE

## The Board

Andrew Herbert	Chairman
Aisha Ali	Resigned 15 December 2014
Gwendoline Godfrey	Vice Chair from 22 September 2014
Grahame Hindes	Chief Executive
Annie Lathaen	
Simon Porter	Treasurer
Jean Roch	Resigned 2 June 2014
Debbie Sorkin	
Rosalind Stevens	Appointed 2 June 2014
Angus Taylor	
Rajan Upadhyaya	
Sylvia Warman-James	Vice Chair, Retired 2 June 2014
Aldo Williams	Appointed 21 July 2014

## External Auditors

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick, West Sussex  
RH6 0PA

## Bankers

HSBC  
St John's Wood Branch  
1 Finchley Road  
London  
NW8 9TS

## Principal Legal Advisors

Devonshires  
30 Finsbury Circus  
London  
EC2M 7DT

## Internal Auditors

Mazars  
Tower Bridge House  
St Katherine's Way  
London  
E1W 1DD

## Executive Officers at 31 March 2015

Grahame Hindes	Chief Executive
Noel Brosnan	Asset Management Director
Mark Gayfer	Finance Director
Maeve MacAvock	Housing & Care Services Director
David Woods	Development Director

## Secretary and Registered Office

Colin Hughes	Secretary
Emily House 202–208 Kensal Road London W10 5BN	Registered as a Co-operative and Community Benefit Society with the Financial Conduct Authority no. 13991R

T 020 8354 5500  
F 020 8354 4280

Registered with Homes and  
Communities Agency no. L0717



The Mukhtar family, Octavia residents, Wembley

**91% of repairs completed first time and 98.9%  
(non-urgent) completed on time.**



Hamsha, talking about her mother, a new resident at Park Lodge House, Hounslow

**“We don’t have the care facilities at home and the hospital would only discharge [mum] if she has the right care with someone around her 24/7. I can see she already likes it here.”**

# REPORT OF THE BOARD, INCLUDING STATEMENT ON INTERNAL CONTROLS

## Overview

Octavia believes that good homes make for better lives.

Inspired by our founder, the social reformer Octavia Hill, who let her first social rented home 150 years ago this year, we are a not-for-profit organisation providing thousands of people with good-quality affordable homes in Central and West London. Like her we believe in the power of well-planned, well-managed housing to make a difference.

- A difference to the people who live in our homes, many of whom would otherwise be priced out of London.
- A difference to the vitality of local areas and their ability to give extra care and support to people who need it.
- And a difference to London as a whole, playing our part in sustaining the capital's rich diversity and social mix – something that benefits our entire society.

We aim to build happier lives and resilient communities by focusing on people as individuals, providing them with a range of services and the opportunity to support themselves.

We spend any surplus income – whether from our houses or our social enterprises – on investing in our social rented homes and building for the future.

As the city continues to change, so will we, always being open to new ideas, whilst remaining true to our fundamental purpose and values.

Over the course of 2014/15 we have continued to pursue our mission. This report sets out the activities of Octavia Housing ("Octavia") and its subsidiaries (together "the Group") and includes the audited financial statements of Octavia and the consolidated accounts of the Group for the year ended 31 March 2015.

## What we do

Octavia currently manages over 4,300 properties, including some of the first homes that Octavia Hill acquired. We believe in the value of mixed communities and in giving people on low incomes the opportunity to stay living close to where they work or have longstanding social ties.

We provide a personal service to residents, responding to their individual needs and providing support to help people sustain their tenancies. We also

involve residents in the running of our organisation, from Board meetings to checking and reporting on our quality standards.

Octavia is registered as a Co-operative and Community Benefit Society with the Financial Conduct Authority and as a Registered Provider of social housing with the Homes and Communities Agency (HCA). We reinvest all the surpluses we generate into our social housing portfolio and related activities and, as an exempt charity, Octavia enjoys the benefits of full charitable status.

Octavia has four subsidiaries:

**A. Octavia Living Limited** develops the homes for outright sale on housing developments led by Octavia, markets and manages property sales for Octavia and provides related commercial advice.

**B. Octavia Development Services Limited** develops social housing for Octavia on a design and build basis.

**C. Kensal Enterprises Limited** deals with the traded goods that are sold through Octavia's charity shops, and works closely with the Octavia Foundation.

**D. Octavia Hill Limited** is a charitable subsidiary which we anticipate will provide social housing and related services in the future.

We also work closely with and provide substantial grant funding to the Octavia Foundation, a registered charity which

provides community support in Central and West London, often to Octavia residents.

### External environment

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For a number of years it has been clear that there is a substantial need for more housing in London and more affordable housing in particular. In 2014 there were more than 250,000 households on the waiting lists held by London boroughs for affordable housing with many more seeking a transfer, and while social housing completions in London in 2014/15 reached a 20 year high they amounted to only 17,914 new homes. A similar pattern exists in the for sale market for housing in London. This lack of supply, coupled with low interest rates has yet again pushed property prices upwards in the year to March 2015, with local prices rising by 11% so that the average price for a home in London is now £462,000, more than 16 times the average income. These figures are for London as a whole – prices are higher in our main areas of operation such as Kensington and Chelsea (where we are based and have a substantial proportion of our homes), with average sale prices of £1.3m and houses typically costing more than £3m each.

The new Conservative government has recently announced some major changes to the rent regime applying to providers of social housing in its budget of 8 July 2015. While some of the details of the proposals have yet to be published, it is clear that, if enacted, they are likely to lead to a significant reduction in our income by comparison

with our previous expectations.

The new Government has also signalled its intention to extend the Right to Buy to Housing Associations. Octavia has previously offered its tenants the “Right to Acquire” any of the properties constructed with public sector grant since 1998, which amounts to approximately one quarter of the stock. The introduction of discounts of up to £103,000 for tenants is likely to increase interest from some tenants to purchase their homes from Octavia – however it is too early to predict the level of interest and ultimate demand. While sales will reduce our existing stock of property for social rent in Central and West London, they are likely to improve the Association’s cashflow.

The changing housing market is also a reflection of the wider economic position. During the year to 31 March 2015 and subsequently, the UK economy (and London in particular) has recovered strongly from its deepest and longest post-war recession.

The benefits of this recovery have not, however, been felt in any substantial way by the majority of the people that live in our properties or receive the services that we provide. Starting in 2013 the then coalition government implemented a series of changes designed to reduce the cost of welfare. Housing Benefit regulations now require deductions for working age claimants deemed to be under-occupying social rented housing and the maximum amount of benefit that any one household can receive is now

limited to £500 per week for couples and families and £350 per week for single people. Neither of these changes has had a material effect on our overall financial position but there have been significant personal effects on the approximately 100 Octavia households affected by the changes.

The relatively small numbers affected so far by the benefit caps and deductions contrasts with the potential impact of Universal Credit, the proposed new system for paying benefits in a single combined payment, which is being introduced in a phased manner from 2013. Part of this new system will mean the end of the routine practice of direct payments of housing benefit to social landlords by local authorities – a move which is expected to significantly increase rent arrears. Budget proposals to further cap benefits in London to £23,000 per annum mean that for those on the lowest incomes there is little short term prospect of improvement.

At the same time as there have been constraints on benefit spending, government investment in capital grants for new affordable housing has been significantly reduced over the last few years. Under the 2015 -18 Social Housing Grant round managed by the Greater London Authority (GLA), the levels of grant available remain very low by comparison with the period until 2010 and in London are expected to fund approximately 10% to 15% of the cost of a new social rented home in the areas in which we operate. This contrasts with grant rates of 65% or more under the previous regime.

“When the heat comes on late at night it’s lovely. My property is economical to heat, too. The energy bills are manageable. My last bill for electricity was £38 for the quarter.”



Christina, Notting Hill



This reduction in grant pushes social housing providers to seek alternative funding sources to supplement grants for their new developments, including profits from developing new housing for sale, the re-letting of vacant homes at higher rent levels and an expectation that organisations manage their cost bases and increase their efforts to secure Value For Money (VFM) in all aspects of their operations.

Finally on the public expenditure side, there were reductions in central government funding for local authorities in recent years and these seem likely to continue for the next few years. This has led to continuing pressure on care and support funding with many services being put out to tender in an effort to reduce the levels of grant that are provided by local authorities to enable the services to be provided.

Although the constraints on public spending have had a negative effect on our residents and on the development work that Octavia can undertake, we have been assisted in recent years by the easier availability of credit from banks and building societies for both corporate borrowers like Octavia and also for individuals seeking mortgages to buy property from us. Restrictions on the term of loan facilities available from banks continue to ease and medium to long term loan funding from banks is again readily available to Octavia. Longer term funds also continue to remain available from the bond markets and increasingly from bilateral facilities from pension funds and insurance companies. Interest rates have remained at the historically

very low levels that have been in place since early 2009 with Base Rate remaining at 0.5%. However, the Bank of England has signalled that it anticipates rates to start to increase within the next year or so. The section below on Treasury describes the Board's approach to managing this risk.

Finally, in 2013 the Government changed the basis on which Registered Providers of social housing could increase their rents for the ten years from April 2015. Rents for existing tenants were to rise by a maximum of the change in the Consumer Prices Index + 1% each year. The change in the CPI to September 2014 was 1.2% and this rate has been used to determine increases in social housing rents for the year commencing in April 2015. The recent Budget announcement indicates that this arrangement will not continue and that social rents are to be reduced by 1% per annum in nominal terms for the next four years, which will put significant pressures on the finances of many housing associations, although we believe that Octavia is well placed to deal with the challenges that will arise.

### **Delivering quality services**

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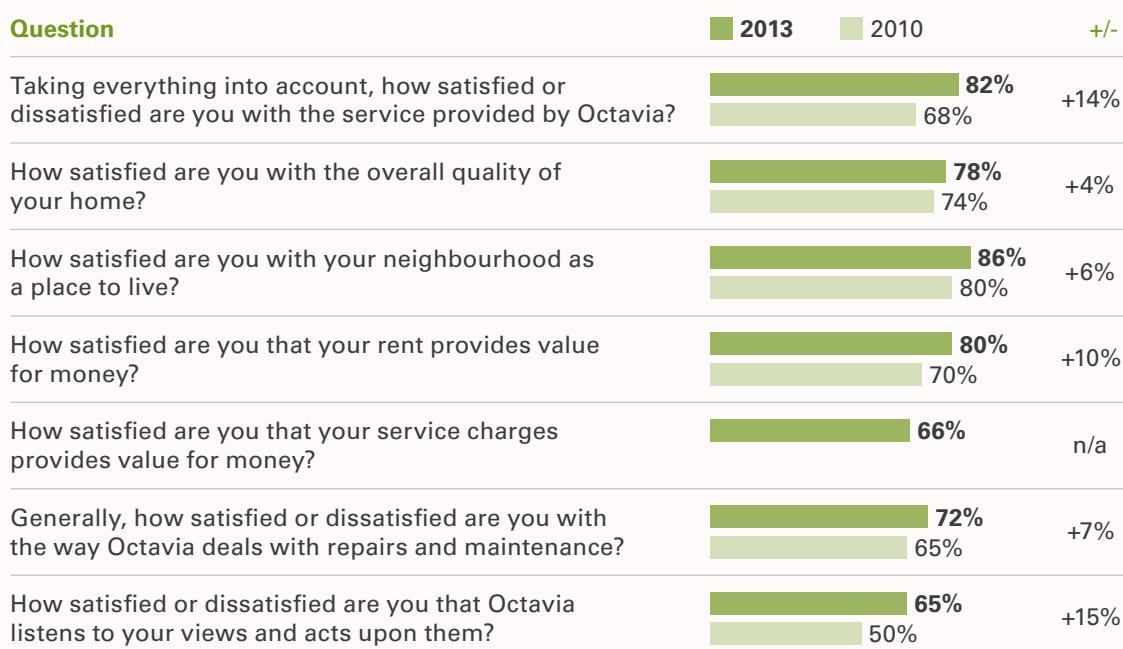
Across our subsidiaries and in partnership with the Octavia Foundation, we provide a wide range of services intended to assist tenants to sustain their tenancies or to help in particular times of need. We believe in involving residents at every opportunity to provide services that make a positive difference and result in better lives.

We commission a large scale randomised tenant satisfaction survey every three years. The last survey was conducted by BMG Research in 2013 – details are shown below. Satisfaction increased appreciably in all areas and placed us in the top quartile for resident satisfaction compared to our benchmarking group (the L8 group of medium-sized London-based housing associations as measured by independent assessors, Housemark).

We identified certain areas for improvement including service charges and local communication and our Services Scrutiny Panel worked with us in 2014/15 in these areas. Based on the Services Scrutiny Panel's recommendations we are finalising a new Service Charge Policy and Procedure to clarify with residents how we set service charges, make our processes more efficient and robust, and ensure service charge information to residents is clear and transparent. The Services Scrutiny Panel has also just completed

their project looking at how we communicate with residents about local issues and are about to make their recommendations in this area.

The number of complaints received during the year decreased to 114 in 2014/15 from 141 the previous year (-27). Responses within our internal timescale improved to 96% but were a little short of the target of 99%. The vast majority of complaints (89%) were resolved locally by managers with 12 escalated to the complaints panel. Only two of the panel cases were upheld: in one case due to delays in completing repairs, in the other case delays in resolving defects. Two of the panel cases were escalated to the Housing Ombudsman by the resident and we are awaiting the Housing Ombudsman decisions on these cases. Our operational teams hold regular complaints case reviews internally and with contractors in order to learn from complaints and make service improvements.



# 96% satisfaction with adaptations received.



Residents at Leonora Extra Care Scheme, Westminster

At the end of March 2015 we had 95 households affected by the under occupation restrictions on housing benefit and 4 by the overall benefit cap. We have managed the impact in a number of ways including increasing personal contact with door knocking and out of hours working; targeting visits by our Financial Inclusion Officer to households assessed as 'high risk' in respect of coping with welfare reform; maximising the use of the debt advice service by including drop-ins, and working with households to apply for Discretionary Housing Payments. Our work is having a positive effect, rent arrears overall were 3.9% at year end and within our internal target, and arrears for households affected by benefit deductions for under occupation decreased by 1.5% compared with the previous year.

### Key performance indicators

Octavia's Board receive monthly Performance Reports setting out Key Performance Indicators. A selection of the more important ones amongst these are set out below, together with comparatives and, where possible, details of how these compare against performance by other members of our designated peer group (the L8) as reported by Housemark in 2014.

The figures in the table indicate top or second quartile performance in most areas although Octavia's repair spending is higher than average. This is in part a reflection of the composition and location of our property stock but also reflects the fact that we have adopted a deliberate policy of investing in additional works as part of each

KPI	2014/15	2013/14	Peer group quartile 2013/14
General Needs arrears as % of rent roll	<b>4.8%</b>	5.1%	3rd quartile
Rent collection as % of rent due	<b>100.2%</b>	99.9%	3rd quartile
Standard voids – average relet time	<b>20 days</b>	20 days	Top quartile
Routine repairs completed on time	<b>98.9%</b>	99.6%	2nd quartile
Current gas certificates in place	<b>100.0%</b>	99.9%	3rd quartile
Tenant satisfaction with repairs	<b>94%</b>	95%	Top quartile
Average call answering time (seconds)	<b>16</b>	13	2nd quartile
Staff turnover (p.a.)	<b>16%</b>	9%	Top quartile
Housing management costs per unit (p.a.)	<b>£535</b>	£516	2nd quartile
Responsive repairs cost per unit (p.a.)	<b>£904</b>	£923	3rd quartile
Cyclical works spend per unit (p.a.)	<b>£1,027</b>	£781	4th quartile
Average SAP rating	<b>67</b>	66	4th quartile

cyclical period. During the year we increased the level of investment in component renewals (such as kitchen and bathroom replacements) and major repairs and improvements, spending £6.3m in total on this activity. Nearly all of our properties continue to meet the Decent Homes standard, and when we become aware of issues these are addressed. During the year we completed adaptations to 24 properties, at a cost of £0.3m to allow residents requiring various adaptations to remain in their homes. The relatively low energy rating of our properties (as shown by their SAP rating) is currently being tackled through a programme of energy works which will bring all of Octavia's properties up to an energy rating of "good". This was the second year of our proposed ten-year programme of energy improvement works and practical issues around planning and gaining access to buildings meant that we did not complete as much of this work as we had hoped. Nevertheless, during the year some 300 residents benefitted in some way from energy efficiency measures.

As part of our wider repairs service, we continue to work with our partners Mears (who are responsible for day to day and cyclical repairs) and Village Heating Ltd (gas and electrical work) to improve services to residents. The changes we made to our long term partnership with both contractors in 2013 has met the objective of both improving service and reducing costs, with unit costs for day to day repairs falling by 3% for the second year in a row.

Given the difficulties of replacing social housing in the areas in which we operate, our objective is to ensure all of our homes are maintained to a good standard over the long term. We are planning to continue our stock condition survey programme in 2016 to further enhance our knowledge of the current state of the portfolio. This will be linked to work that is already underway to develop our internal systems to make best use of the data that we do have.

### Care and support

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Aside from housing, we offer a wide range of care and support services to older and vulnerable adults living in West and Central London. Over the last ten years we have developed five extra care facilities, alongside a range of care and support services for older people to help them retain their independence. We are in the process of developing two additional schemes for older residents in Hounslow, which will provide 72 homes when complete. We have also commenced the redevelopment of the Kensington Day Centre which will include the provision of 13 level access flats, again for older people.

During the year we received consistently positive ratings from the independent regulator the Care Quality Commission for all of our care schemes and started a new five year care and support contract for the Royal Borough of Kensington and Chelsea covering our three facilities in the borough as well as management of their Care Scheme at Burgess Fields, just off the Golborne Road, North Kensington.

**“I am really pleased I work as a day centre manager because it’s about helping people. When you get a breakthrough moment with someone – it’s hard to put into words how it makes you feel.”**

#### Rent levels

As most of our properties are located in high value areas and we aim to provide homes at rents that are affordable, there is a significant difference between the market rents for the portfolio and the rents charged. Jones Lang LaSalle estimate the market rental on our portfolio to be £87m per annum as against the rents actually charged in the financial year of £22m. The difference (of £65m) represents the social dividend which the local community and government receives from the historic investment in Octavia's properties.

During the year average rents across all properties increased from £110.72 per week to £116.62 per week. The change reflects the increase as a result of the application of the government rent setting formula and some additional increases as a result of properties moving to or being developed under the new Affordable Rents regime.

The changes announced in the recent Budget will lead to falls of 1% in nominal terms for social rents in each of the next four years. This will reduce our capacity to produce more social rented housing in the future. The Government has also announced that it will require social landlords, such as Octavia, to charge market rents to any tenants with a household income in excess of £40,000 per annum – we await further details of this proposal which could potentially have a negative impact on a number of our tenants to continue to maintain their tenancies.

Overall our average rents continue to be well below the government target levels for equivalent social housing properties, which averaged £145.05 per week. The new Affordable Rent regime was applied to a further 9 re-let properties during the year together with 56 developed for Affordable Rents to make a total of 137 homes where rents are set under this new system. The Affordable Rents under the new

Diane Philips, Quest Day Centre Manager



system could have been charged at up to 80% of market rents, but given the Board's concern to ensure that rented property remains affordable to those in low paid employment, rent caps of £181 per week for 2 bedroom apartments and up to a maximum of £227 per week for 5 bedroom accommodation were approved. On average we estimate that our Affordable Rents represent some 42% of market rent levels.

For existing social tenants, the Board aims to keep the rentals at a level consistent with maintaining and developing our housing stock for general needs properties. Accordingly, our current rent policy is based on the Government's target rent regime and the option to add an additional 5% to the target rent has not been taken up – this rent policy will need to be reviewed in the near future following the Budget proposals on rents mentioned above.

The Board continues to believe that

the rents charged by Octavia represent extremely good Value for Money for tenants, a result which the last STAR survey and regular contact indicates is shared by residents.

#### Providing more homes

With increasingly high levels of demand for social rented and low cost home ownership properties in our core areas of operation, the development of new homes for our portfolio and for other social landlords continues to be a high priority. Before the 2015 summer budget we had set a target to deliver new social housing averaging a 3% increase in our existing stock each year – this will now need to be reviewed in light of updated long term financial projections. This aspiration is further complicated by the fact that our ambition is to continue to provide additional homes in our core areas of inner London where costs of provision are highest.

# 74 new homes completed, of which 43 were for social rent and 31 were for shared ownership.

While we have not exceeded our development target of a 3% growth in social housing units in the current year, our aim is to meet the target over a three to five year cycle. Our bid to the Greater London Authority for grant funding for the 2015 – 2018 capital programme was successful and we were awarded £5.7m. This is in respect of a programme of 178 new homes to be delivered over the next three years as part of our work with our partners in the Connected Partnership, Shepherds Bush HA and Origin HA (who in total were awarded £22m grant in this round).

In 2014/2015 we completed 74 new homes. Of these, 43 were for social or affordable rented housing and 31 for shared ownership. Working with other social landlords in the Connected Partnership, which Octavia leads, a further 121 homes for social or affordable rent were completed in the year together with 102 for shared ownership.

During the year contracts were signed for the acquisition of 92 social housing units as follows;

	Borough	No. of homes	Total expected cost
<b>Isleworth House</b>	Hounslow	36	£7.8m
<b>North Wharf Road</b>	Westminster	27	£5.6m
<b>Ducane Road</b>	Hammersmith & Fulham	24	£7.2m
<b>Edith Road</b>	Kensington & Chelsea	5	£0.6m

Shared ownership homes, Paddington Basin



The contracted development programme at 31 March 2015 was for 266 new homes to be completed between April 2015 and late 2017, representing a more than 6% increase in the portfolio of social housing. The remaining development costs to be incurred were estimated at some £21m and Social Housing Grant of £3.5m is expected to be received following practical completions. This net investment of some £17.5m in new

social housing development is more than covered by existing secured and available borrowing facilities of £35m and the existing free cash and deposit balances of £8m. Shared ownership sales from these developments estimated at £8.8m are expected to be subsequently realised and used to repay revolving loan facilities. Nevertheless, as a result Octavia will increase its borrowing and gearing levels over this period.

“I had been living in private rent before shared ownership with Octavia and in a word, it was hideous. Now I am able to put roots down.”



Having completed two successful developments with outright sale we are now considering other opportunities. Subsequent to the year end a decision has been made by our development subsidiary, Octavia Living Limited, to enter into a contract with Hill Partnership Limited for the development of a site in Cricklewood that we acquired in 2011. This will provide 14 affordable homes along with 23 properties for outright sale. Subject to property prices at the time of sale, the scheme is anticipated to generate significant additional surpluses which will be re-invested in social housing.

The provision of additional affordable housing in inner London is only possible by working with developers to meet their planning obligations. We have developed good relationships with a number of major developers over the last few years and in the process we have been able to provide homes in locations that would otherwise be unaffordable. We strongly support the use of the planning system to ensure that an element of all major developments is available to those on low and average incomes.

### **Providing more than housing**

Providing good homes and creating better lives goes beyond just providing quality housing.

For this purpose, we set up the Octavia Foundation, an independent charity that provides support and opportunities for local people. The Octavia Foundation's work focuses on four areas:

- care and support for older people
- work with young people
- help with training and employment for people of all ages
- help with money and debt planning for people of all ages.

Income generated through Octavia's 17 charity shops and from the commercial property portfolio is used to support the Foundation, along with external funding from a range of charitable sources.

Over the last year the Foundation has directly assisted some 2,000 people through a wide range of projects including the provision of advice on welfare benefits and debt, befriending support for vulnerable and isolated residents, employment and training projects and activities for young people including film-making and sports together with lunch clubs and support with gardening and small repairs for elderly residents.

110 Octavia tenants have also benefitted from welfare and educational grants awarded by the Friends of Octavia who continue to support our work, and the Board would like to express its thanks to them for this.

During the year the charity shops generated a small overall trading surplus before an allocation of central overheads. The shops serve a number of functions, including allowing us to provide some employment opportunities. A review is currently underway to improve long term profitability.

We continue to run projects for young people through the Octavia Foundation. This year one media project alone engaged with 38 young people: 7 have since found employment in the media industry, 3 in other employment and 1 has moved into full time education & training.



## Information technology

We have a comprehensive set of IT systems in place for the administration of the Group's various activities. For the past two years we have been working on a project designed to further improve efficiency and extend mobile working through the use of IT. The main part of this project involved the implementation of a Microsoft Dynamics Customer Relationship Management (CRM) system which can be used with mobile devices to record all relevant contacts with residents. This system went live in late 2014 and since then we have been through a phase of bedding in and enhanced training to enable staff in all parts of the business to use it. The first phase of a Procurement to Payments system, called Compleat, was also successfully implemented in early 2015. Further expansion of these systems and the introduction of a new Service Charge system, called Opus, are planned for the year to 31 March 2016.

During the year the reward system for part of the staff group was revised and all office based staff, including the Chief Executive and Directors, are now on market assessed salaries with a small discretionary performance award available. We intend to extend this system to other staff, who are currently paid on a graded scale system, in 2016. The salaries of the Directors are set by the Remuneration Committee and by the Board for the Chief Executive.

Octavia's policy is to offer fees to Board members. These are set in line with the scale of fees previously set by the Regulator. The level of fees was last reviewed during 2011.

Octavia has a staff forum where there is representation at all levels to ensure that staff are widely consulted on staffing policies and procedures. We also invest significantly in learning and development and a structured management and development training programme for all managers was run during the year.

## Remuneration Policy

Octavia seeks to have both clarity and consistency in our remuneration policy which will:

- A.** assist in recruiting and retaining staff;
- B.** reward responsibility and performance at an appropriate rate in relation to the sector and the market; and
- C.** provide terms and conditions that meet statutory obligations and better these where appropriate.

Our overall staff turnover rate increased from 9.2% to 15.9% as the labour market in London tightened with improvements in the economy. The staff survey results show that 85% of staff would recommend Octavia to friends as a good place to work.

## Financial review

Octavia's financial performance over the last five years is illustrated in the tables below:

	2014/15 £m	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m
Turnover	39.4	58.5	32.5	32.9	36.9
Cost of sales	(4.9)	(23.9)	(1.7)	(3.8)	(3.3)
Operating Costs	(26.8)	(26.5)	(24.1)	(22.8)	(28.0)
<b>Operating surplus</b>	<b>7.7</b>	<b>8.1</b>	<b>6.7</b>	<b>6.3</b>	<b>5.5</b>
Net interest payable	(4.5)	(3.6)	(3.2)	(4.3)	(4.6)
Interest breakage costs	(1.3)	–	–	(2.5)	–
Surplus on asset disposals	3.1	1.1	2.0	3.0	2.5
<b>Surplus for the year</b>	<b>5.0</b>	<b>5.6</b>	<b>5.5</b>	<b>2.5</b>	<b>3.4</b>
Borrowings – gross	139	139	140	119	119
Borrowings – net	122	103	126	109	107
Housing owned/managed (units)	4,368	4,292	4,125	4,081	4,026

The Group's underlying financial strength arises from the quality of its portfolio of social housing, which has been built up over the last 150 years in areas which have come to be among the most highly valued in the country. This is reflected in an independent desktop valuation of the completed housing property portfolio at 31 March 2015 by Jones Lang LaSalle, which indicated the following:

	2015 £m	2014 £m	2013 £m
Open Market Value with Vacant Possession	1,973	1,785	1,473
Market Value subject to existing Tenancies	949	859	733
Existing Use Value for Social Housing	416	382	353
Estimated annual market rent of General Needs social rented portfolio	87	81	70
Actual annual rent roll of General Needs social rented portfolio	22	21	21

This independent valuation indicates an average Vacant Possession value for each of our General Needs properties of approximately £500,000.



Following the proposals set out in the recent Budget, Jones Lang Lasalle have indicated that the Existing Use Values for Social Housing shown on the previous page are likely to fall and we await details of their updated views on this subject. However, given the substantial amount of uncharged housing stock that Octavia Housing currently has, it is anticipated that there will be few practical consequences for Octavia from this expected reduction in values.

The property portfolio requires significant levels of reinvestment each year for both maintenance purposes and to respond to the requirements of health and safety legislation. The current financial plan adopted by the Board in June 2015 envisages spending just under £26m on such issues over the next five years. This includes the programme that will bring all homes up to a good energy efficiency standard over the next ten years.

In addition to the housing property portfolio, Octavia has commercial properties shown in the balance sheet at depreciated cost of £4.7m (2014: £4.7m) which were valued at Open Market Value in March 2014 by FPD Savills at £8.1m, and have been funded through Octavia's reserves. In the opinion of the Board, this figure has not changed materially over the last year.

#### **Capital structure and treasury**

As a Community Benefit Society and an exempt charity, Octavia does not have access to equity capital and so all its activities and investments are financed either by accumulated surpluses from operations over the last 150 years, grants or through borrowings. Given the long term nature of Octavia's investments in social housing, such borrowings tend to be long term in nature.

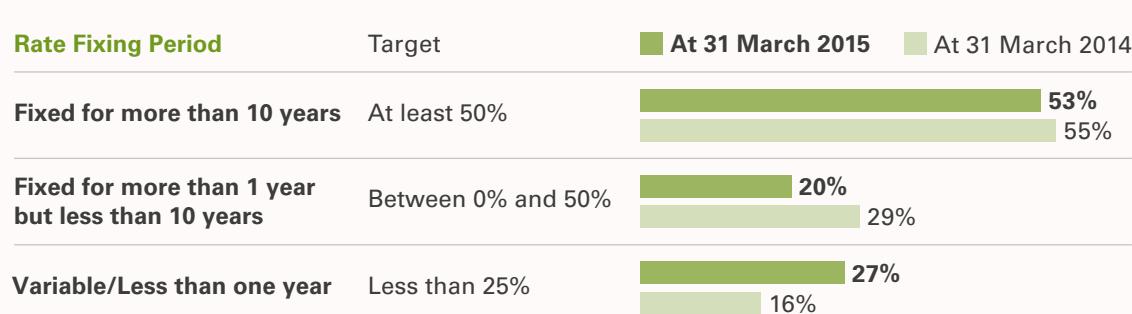
At 31 March 2015, Octavia's gross borrowings remained broadly unchanged at £139m as most capital spending was met out of the significant cash deposits in place at 1 April 2014. A further £35m of borrowing facilities were in place at 31 March 2015, £25m of which were fully secured and available to draw immediately, with the remaining £10m secured and with drawdown arranged for December 2015. The relatively low level of property sales coupled with continuing significant investment in new social housing during the year led the level of freely available short term deposits to decrease to £12.9m at 31 March 2015, down from £28.4m at 31 March 2014. These funds, together with the Social Housing Grant on schemes under development, are sufficient to complete our current development programmes.

Our Treasury Strategy is set annually by the Board. During the year it was agreed that Octavia's Duration (being an indicator of the average fixed interest life of the overall loan book) should be set at a target range of 7 to 11 years with the average during the year at 9 years. Subsequent to the year end it has been agreed to further

increase the top end of the Duration target range to 13 years so that further long term interest rate fixing can take place to take advantage of current historically low long term interest rates, including an £18m 30 year fixed rate loan with THFC-AHF, which is expected to be drawn in summer 2015.

During the year a thirty year £10m loan was agreed with THFC acting on behalf of the European Investment Bank (EIB). It was agreed that this loan will be drawn down in December 2015 and the interest rate was fixed for the full term of the loan at 4.17%. Also during the year Octavia repurchased the only option held by a bank to terminate an existing fixed rate (on a £5m loan). Given the substantial fall in interest rates since the option was granted, the cost of this exercise was minimal. Additionally, some relatively high short term embedded fixed rates on £17m of borrowings were terminated at a cost of £1.3m and new ten year embedded interest rate fixes were agreed on £17m of other loan tranches. As a result, Duration increased during the year to 10.9 years as at 31 March 2015.

Details of interest rate fixing by maturity are given in the table below:



Further interest rate fixings are under consideration to reduce the level of variable rate debt during 2015/16.

At the year-end only 45% of our rented housing stock was used to secure our current facilities and the Board considers that we have the capacity and security to increase borrowings to fund future development and enable the 3% targeted level of expansion to take place.

The Board monitors loan covenants on a regular basis. At 31 March 2015 they stood at:

#### ➤ **Interest cover**

235% (lowest permitted level 110%)

#### ➤ **Gearing**

49% (highest permitted level 65%)

Net indebtedness for the Group at 31 March 2015 stood at £122m of which £30m was funding the construction of properties under the development programme with a further £2m funding shared ownership properties unsold at that date. The balance of borrowing, £90m, funds completed social housing properties and represents an average debt of around £22,000 per home.

#### Revenue position

During the year we made an overall surplus across the group of £5m (2014: £5.6m) on a significantly reduced turnover of £41.1m (2014: £58.5m). The figures for turnover last year included significant outright property sales at

development schemes in Wembley and Shepherds Bush, whereas there were very few such sales this year.

#### Impairment

No provisions for impairment were found to be necessary this year following the annual impairment review.

#### Risks to the organisation

Octavia's overall approach to internal controls is described in more detail later in this report. We have identified, and put in place strategies against each of the risks that have been identified. At the year end the major risks can be considered under the headings of financial risk and those that threaten our reputation.

#### Financial risks

Government restrictions on income: The recent Budget has set out proposals to reduce the level of income to be generated from our portfolio of social rented homes over the next four years. We are working through the consequences of these proposals but remain positive about Octavia's ability to deal with the challenges they pose, given our significant underlying financial strength.

Inflation: Our income (primarily rents) and operating costs tend to move in a linked fashion with inflation, however sometimes they become delinked. We have just been through a period where revenues have increased by more than costs but now employee and

maintenance related costs are increasing more rapidly and we are taking steps to manage this issue. Additionally there are inflation linked risks to Care income, where rates are agreed and fixed for several years ahead.

**Liquidity risk:** Our Treasury management policy sets out minimum levels of liquidity both in terms of cash and short term money market deposits that should be maintained but also levels of secured and available bank facilities. Short term money market deposits are only made with institutions that meet certain credit rating hurdles.

**Interest rate risk:** This is monitored and controlled through the treasury strategy described elsewhere in this report.

**Welfare reforms:** The immediate effects of which have had a minimal impact on our overall finances but which we are monitoring carefully as it may well be a long term issue for the organisation.

**Sales risks:** With only very limited levels of government grant available for developing new social housing, housing associations are making up part of this funding shortfall through shared ownership and outright sales on new housing developments. The levels of exposure to sales income is regularly monitored and actions taken to mitigate the risks where appropriate.

**Project or cost overrun:** Individual developments are controlled through individual assigned managers and with pre-set budgets and monitored

monthly. Significant cost overruns are reported to the Board.

Financial risks are modelled in the business plan and 30 year Long Term Financial Plan and are subject to sensitivity analysis and stress testing.

**Income shortfalls:** Risk that rental income will become more difficult to collect in future. Given the proposed changes in Welfare benefits this risk seems almost certain to materialise. We are monitoring closely the impact of benefit changes and investing in staff and systems to ensure that we are in the best position to deal with the issues as they develop.

### Reputational risks

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**Health and safety issues:** We continue to place a high priority on resident, staff and contractor safety. A separate section of this report sets out our approach to this risk.

**Business continuity:** We have developed plans to deal with all aspects of potential threats to business continuity. We are in the process of upgrading our IT systems to further improve their resilience to potential risks.

**Staff issues:** Our human resources policies and practices are well defined. We have had only one employment tribunal case in the last five years, which was decided in our favour in June 2015. Staff turnover is monitored and, while it has been rising recently, is currently below the sector average.

**Regulatory issues:** Our regulator, The HCA has introduced new regulatory requirements recently and has indicated that it will be more active in taking action to deal with areas where it considers this is required. Octavia aims to ensure that we comply with all legal and regulatory requirements and has put in place procedures and controls to ensure full compliance.

**IT issues:** As already explained in this report we are increasingly reliant on technology for the effective delivery of services. We have in place controls and systems to ensure information is available in a variety of circumstances. The Board plan to further review the Information Technology strategy during 2015/6.

### Value for Money (VFM)

VFM is a subject that has been much discussed within the housing sector. It is a topic that has received a great deal of attention from the HCA and will receive much more following the rent restrictions announced in the recent Budget. For the last two years we have published on our website a statement of how Octavia complies with the stated regulatory requirements and we will produce a further comprehensive statement before September 2015 following the Board's approval of a revised VFM strategy in June 2015.

Our overall approach to the subject is to see VFM as fundamental to our approach to achieving the organisation's objectives. The Board's role is to maximise the impact that it can

make against our stated objectives with the resources available. The Board considers VFM on a regular basis, both as a stand-alone item and as part of the consideration of wider aspects of our work. These considerations are informed by a long standing commitment to extensive resident engagement, which includes involvement at Board level and a strong resident voice on our Services Scrutiny Panel, which helps determine an appropriate balance between service improvement, growth and cost efficiencies.

Our resource allocations process centres on deliberations over the corporate plan and our long term financial forecasts. Both are designed to support the organisation in meeting its overall objectives. These major plans are supported by an overall budget, development strategy, care strategy, asset management strategy and service improvement plans, all determined with VFM in mind.

In considering VFM the regulator requires organisations to optimise the return on assets. Nearly all of our homes are in areas that now have high property values as explained earlier in this report, the rental income that we charge is substantially below market rates. Accordingly, the social dividend on what we do is significant and, with market rents continuing to rise during the year, our advisers, Jones Lang Lasalle, have estimated that the gap between what Octavia charges and the market rents for similar properties has now risen to some £65m per annum

– this dividend is shared between our tenants and the public purse. The corollary of this is that Octavia receives overall a low return on its assets – the gross rental yield of £22m represents a 1.1% per annum return on the replacement value of its social housing assets of £1.97bn and a rather higher 11% on net historical cost.

Our aim is to exploit the location of our existing stock as a base from which to provide good quality management services and to demonstrate our value as a locally based partner for private developers under planning gain (S106) rules. These allow us to acquire property in our areas of operation at significantly below their Market Vacant Possession values and make them available to local people at low and affordable rents.

The Board periodically receives information on the costs of service provision and how well they are benchmarked against indicators produced by Housemark. Benchmarking information is used as a tool for identifying areas for further review. Overall efficiency gains totalling some £0.4m were achieved during the course of the year through more effective procurement and more efficient ways of working. Partnership working with our contractors for day to day and major component renewals led to gains of some £0.1m in 2014/15 and re-procurement of a number of services, including printing and utilities, have led to gains of some £0.2m while bringing estate maintenance activities in-house has reduced service charge costs to residents by £0.1m. Much of

these gains were re-invested during the year on cyclical maintenance works. During the next year we are planning to re-procure our telephony services and a number of other overhead costs with the aim of continuing to keep the increase in management costs below the rate of inflation.

Beyond these financial returns the core of our work has a social value. We established, support and work closely with the Octavia Foundation. During 2014/15 2,000 local people and Octavia residents were supported through the Foundation. Our care and support services also provide essential support and help to elderly and other vulnerable residents. Each of these areas of activity helps to sustain tenancies, support independent living and improve opportunities for local people.

In planning ahead the key areas that we are working on include: investing in improving the energy efficiency of our buildings, reviewing further how we can exploit our asset base to develop further homes within our geographic areas and at genuinely affordable rents, reviewing our work on tackling tenancy fraud to safeguard scarce social housing and retaining a focus on supporting residents through the changes that are coming about as a result of welfare reform so that those affected can retain their tenancies.

A separate and more comprehensive report on Value for Money is available on our website ([octavia.org.uk](http://octavia.org.uk)).

**Over 1347 residents were given one to one debt or financial advice. Rent arrears were reduced to 3.9%.**



The Board takes seriously its legal and moral responsibilities relating to health and safety to ensure, so far as is reasonably practicable, the health, safety and welfare of all Octavia's employees, residents and others affected by our activities.

Health and safety risks are regularly reviewed by the Directors Group, the Audit Committee and the Board. Our Health and Safety Committee meets quarterly and has delegated authority from the Directors Group to oversee our strategic response to Health and Safety and review progress across all areas of activity.

Our in-house health and safety team includes an experienced and qualified Health and Safety Advisor and a Fire Safety Officer. Particular emphasis has been placed on the management of health and safety risks within our residential property stock, including an extensive programme of fire safety works. At the end of the year all of our domestic gas boilers had a current CP12 safety certificate and we had also completed 100% of scheduled fire risk assessments.

During the year we had to take action on a number of health and safety issues arising from latent defects in several residential buildings completed over the last seven years. Working with our insurers all of these issues have been successfully resolved and action is currently underway to recover costs from the developers involved.

Octavia is governed by a Board which comprises 9 non executives (of whom up to three are residents) plus the Chief Executive. These Board members are listed on page 3 in this report. Each non-executive Board member holds one fully paid share. Octavia has adopted the National Housing Federation Code of Governance in so far as its recommendations are relevant and appropriate to the organisation.

The day to day operational responsibility for Octavia is delegated to a leadership team that includes the Chief Executive and Directors of Housing and Care Services, Asset Management, Development and Finance (Directors Group).

The Board is supported by various panels and committees all of which include Board members as well as other independent members. These are a Development Panel, Services Scrutiny Panel, Complaints Panel (which is independently chaired), Shops Group, Audit Committee, and the Nominations and Remuneration Committee. An Octavia main board member is on the board of each of its subsidiaries, in all but one case as Chair.

During the year, three of the resident Board members (Sylvia Warman-James, Jean Roch and Aisha Ali) stood down and, after a successful recruitment process two new appointments of resident Board members made (Rosalind Stevens and Dr Aldo Williams). We are currently recruiting a third resident board member.

Octavia was last rated by the HCA under its regulatory review system in September 2014 as being grade one for both governance and viability – the next review is due shortly.

Details of the remuneration paid to and the activities of individual board members are given at the end of these financial statements.

### **Internal controls statement**

As one aspect of its work the Board has overall responsibility for establishing and maintaining Octavia's system of internal controls and for reviewing its adequacy and effectiveness. The system for internal control covers all aspects of Octavia's activities, not just internal financial control.

The Board recognises that no system of internal control can give absolute assurance against financial misstatement or loss. The system is designed to manage rather than eliminate risk, and provide reasonable assurance that key business objectives will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information, and the safeguarding of Octavia's assets and interests.

Each year the Board requires the Chief Executive to prepare a detailed report on Risk Management and Internal Control Systems. This report of the Board has been based on this statement.

Some of the key elements of the

internal control framework that have been established by the Board are as follows:

- ▶ the adoption of a business plan and 30-year Long Term Financial Plan model which is regularly updated and reviewed by the Board;
- ▶ a comprehensive budgeting process, the production and review of monthly management accounts and key performance indicators for all areas of operational activity, including quarterly external reporting;
- ▶ the review and approval of the Governance Manual and Financial Regulations of the organisation and a clear set of delegated authorities detailing responsibilities for expenditure and authorisation of payments;
- ▶ the incorporation of key risks into a Risk Map and the consideration of this and significant risks on individual projects by the Board;
- ▶ a programme of internal audit work which is linked to the Risk Map and is reported regularly to the Audit Committee and annually to the Board. The Audit Committee also regularly monitors the implementation of external and internal audit recommendations;
- ▶ job descriptions that clearly allocate responsibilities to manage risk;
- ▶ a programme of Service Improvement Reviews to seek

- continuous improvement;
- an operational work plan that seeks to ensure that our IT systems are reliable and efficient; and
  - processes and systems for appraising development projects via the officers Project and Approvals Panel, Directors Group and the Board.
- There is significant emphasis on the Board's internal control responsibilities with regard to fraud. Octavia's anti-fraud policy expresses a commitment to the highest ethical standards. The policy sets out:
- the importance of operating procedures and control systems for detecting and deterring fraud, reinforced by a culture of openness and honesty among staff;
  - Octavia's policies on whistleblowing; and
  - concerning the investigation of fraud (whether suspected, attempted or actual), the disciplinary procedures which may follow the discovery of a fraud or attempted fraud and reporting actions (including to the HCA and to the police where appropriate).

Octavia's policy is to seek recovery of losses from those responsible, report them to the police and to maintain fidelity insurance cover against fraud. While the risk of fraud being committed can never be fully eliminated, in the opinion of the Board a strong internal control system reduces the opportunity for

fraud and increases the likelihood that attempted frauds will be detected. Octavia maintains a fraud register which is reviewed periodically by the Audit Committee and annually by the Board.

### **External Review**

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The work of our internal and external auditors is an important part of the control environment. There is a programme of internal audit visits throughout the year and the risk of fraud is always considered when deciding on the scope of work for each visit. During the year, Mazars carried out their planned programme of internal audit reviews and BDO LLP carried out their work as external auditors.

The Board confirms that for the year ended 31 March 2015 and up to the date of the approval of these financial statements, there have been no regulatory concerns which have led any regulatory authority to intervene in the affairs of Octavia, nor are there significant problems in relation to failures of internal controls that required disclosure in the financial statements.

### **Auditors**

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The Board will recommend the re-appointment of BDO LLP at the Annual General Meeting.

### **Looking forward**

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The next few years offer Octavia a number of opportunities but will also present some challenges.

The opportunities include:

- building on the existing momentum for improving and developing services to residents tenants and other customers, whether in terms of mainstream housing services, related support services (such as financial and employment advice) or through additional care and support;
  - working with developers in Central and West London on new development opportunities arising from S106 planning gain arrangements and with the GLA to develop more cost effective and sustainable housing for Londoners;
  - continuing the success that we have had in the past twelve months in generating surpluses from developments of housing for sale by our subsidiary, Octavia Living Ltd; and
  - the potential to improve our operating efficiency through the “Smarter Working Project” which is currently under way through better use of Information Technology.
- which we operate;
- dealing with the new higher levels of borrowing that will arise from the lower capital grant rates that will apply for future development and the pressures on gearing levels if development of social rented housing is to continue beyond 2018;
  - the increasing interest charges that are expected over the next few years as interest rates rise from the historically low levels we are experiencing at present, coupled with pressures from providers of loan finance to increase their margins;
  - ensuring that we maintain, and over time, further improve, our existing property portfolio at a reasonable cost to ensure that this resource is available for the long term;
  - meeting the increasing expectations and requirements of our residents and our regulators, principally the HCA and the Care Quality Commission.

The challenges include:

- responding to the changes set out in the Budget proposals for reductions in rental income over the next four years and further caps on tenant benefits;
- adapting the organisation as welfare reform takes effect to support those residents affected appropriately. Part of the challenge on this front is to maintain a rent policy which remains affordable to our prospective tenants in the high value but popular areas in

The Board are optimistic about Octavia’s ability to take advantage of these opportunities and deal with the challenges.

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Andrew Herbert (Chairman)

Statement approved by the Board  
20 July 2015

# STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society and social housing legislation require the board members to prepare financial statements for each financial year for the group and association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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 association and of the surplus or deficit of the group and association for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010) 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 association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They are also



Maisie and her family at our new extra care scheme, Hounslow

responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010).

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTAVIA HOUSING

We have audited the financial statements of Octavia Housing for the year ended 31 March 2015 which comprise the consolidated and association income and expenditure accounts, the consolidated and association balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that

we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to

audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2015 and of the group's and parent association's surplus for the year then ended;
  - ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - ▶ have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.
- 
- Matters on which we are required to report by exception
- We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:
- ▶ the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
  - ▶ adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
  - ▶ a satisfactory system of control has not been maintained over transactions; or
  - ▶ the parent association financial statements are not in agreement with the accounting records and returns; or
  - ▶ we have not received all the information and explanations we require for our audit.
- 
- BDO LLP, statutory auditor  
Gatwick, West Sussex. UK.
- 24 July 2015
- BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Subada, Shediya and Sheyma, Wembley

# INCOME AND EXPENDITURE ACCOUNTS

for the year ended 31 March 2015

	<b>Octavia Housing</b>	<b>Group</b>	<b>Octavia Housing</b>	<b>Group</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	2	<b>38,648</b>	<b>39,376</b>	48,496 58,503
Cost of sales	2	(4,358)	(4,899)	(15,285) (23,872)
Operating costs	2	(26,952)	(26,788)	(28,151) (26,552)
<b>Operating surplus</b>	2	<b>7,338</b>	<b>7,689</b>	5,060 8,079
Surplus on disposal of fixed assets	21	<b>3,146</b>	<b>3,146</b>	1,091 1,091
Interest payable and similar charges	6	(6,270)	(5,915)	(3,914) (3,641)
Interest receivable	6	<b>466</b>	<b>124</b>	358 85
<b>Surplus for the year</b>	7/18	<b>4,680</b>	<b>5,044</b>	2,595 5,614

There is no difference between the surplus for the year reported above and its historical cost equivalent.

All results arise from continuing operations.

There are no gains or losses in the current or prior year other than those reported in the income and expenditure account.

# BALANCE SHEETS

as at 31 March 2015

		Octavia Housing	Group	Octavia Housing	Group
		2015	2015	2014	2014
	Note	£000	£000	£000	£000
<b>Tangible fixed assets</b>					
Housing properties	8	425,632	424,424	394,465	392,478
Social housing grant	8	(205,599)	(205,599)	(203,461)	(203,461)
Depreciation and impairment	8	(23,021)	(22,653)	(20,206)	(19,838)
	8	197,012	196,172	170,798	169,179
<b>Other tangible fixed assets</b>	9	12,289	12,289	12,357	12,357
<b>Investment in subsidiaries</b>	10	10	—	10	—
		209,311	208,461	183,165	181,536
<b>Current assets</b>					
Stock	11	5,006	9,844	6,475	10,633
Debtors – amounts receivable within one year	12	3,540	3,808	4,284	4,173
Debtors – amounts receivable after one year	12	5,122	—	3,685	—
Short term deposits	13	9,209	15,239	27,644	32,544
Cash at bank and in hand		1,274	1,501	2,492	3,223
		24,151	30,392	44,580	50,573
<b>Creditors: amounts falling due within one year</b>	14	(21,585)	(22,810)	(18,957)	(19,519)
<b>Net current assets</b>		2,566	7,582	25,623	31,054
<b>Total assets less current liabilities</b>		211,877	216,043	208,788	212,590
<b>Creditors: amounts falling due after more than one year</b>	15	133,713	133,713	135,304	135,304
<b>Capital and reserves</b>					
Non-equity share capital	17	1	1	1	1
Revenue reserve	18	78,163	82,329	73,483	77,285
		211,877	216,043	208,788	212,590

These financial statements were approved and authorised for issue by the Board on the 20 July 2015 and signed on its behalf by:

A Herbert (Chairman), C E Hughes (Secretary), S Porter (Treasurer)

The notes on pages 46–76 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
<b>Net cash inflow from operating activities</b>	22a		<b>15,075</b>		28,936
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>124</b>		85	
Interest paid		(5,344)		(3,688)	
Breakage Costs		(1,314)		–	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(6,534)</b>		(3,603)
			<b>8,541</b>		25,333
<b>Capital expenditure</b>					
Acquisition and improvement of housing properties		(34,135)		(12,848)	
Social Housing Grant received		<b>2,086</b>		6,329	
Proceeds of sale of fixed assets		<b>5,482</b>		4,175	
Purchase of other fixed assets		(546)		(476)	
<b>Net cash outflow from capital expenditure</b>			<b>(27,113)</b>		(2,820)
<b>Management of liquid resources</b>					
Money market transactions		<b>17,305</b>		(23,044)	
<b>Financing</b>					
Loan principal repaid		(4,455)		(10,637)	
Loan issue costs		–		(139)	
Loan principal received		<b>4,000</b>		10,000	
<b>Net cash outflow from financing</b>			<b>(455)</b>		(776)
<b>(Decrease)/increase in cash during period</b>	22b		<b>(1,722)</b>		1,307

The notes on pages 46–76 form part of these financial statements.

# NOTES

forming part of the financial statement

## I. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under historic cost accounting rules and in accordance with applicable accounting standards and the Statement of Recommended Practice, "Accounting by Registered Social Housing Providers" (SORP 2010). The financial statements also comply with the Accounting Direction for Private Registered Providers of Social Housing 2012. The principal accounting policies have been consistently applied from one year to another and a summary of the principal accounting policies is set out below.

### Going concern

The Board have noted that the projected cash flow from operations and sales taken together with undrawn and secured loan facilities significantly exceed the projected cash requirements for operating expenditure and capital investment for at least the next eighteen months. The Board have also noted that business planning projections show that Octavia should be operating comfortably within its loan covenants for the next eighteen months. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Octavia Housing and its subsidiary undertakings, Kensal Enterprises

Limited, Octavia Development Services Limited, Octavia Living Limited and Octavia Hill Limited in accordance with FRS 2 'Accounting for Subsidiary Undertakings'. The consolidated financial statements have been prepared under the historic cost convention.

### Housing Properties

Housing properties are stated at cost less Social Housing Grant (SHG) and other grants, depreciation and impairment.

The cost of housing properties includes the following:-

- (i) Cost of acquiring land and buildings.
- (ii) Development expenditure.
- (iii) Cost of replacing principal components.
- (iv) Interest charges incurred during the development period.
- (v) Adjustments, where appropriate, to scheme costs to reflect cross subsidy on mixed tenure development as required by the 2010 SORP (see Mixed Tenure Development accounting policy below).
- (vi) Cost of improvements.

Improvements are works which result in an increase in the net rental income, a reduction in future maintenance costs, or result in an extension of the

useful economic life of the property, beyond its previously assessed standard of performance, and are capitalised accordingly. Only the direct overhead costs associated with new developments or improvements are capitalised.

Housing Properties are classified in Note 8 as being “completed properties” or “under construction”. Scheme costs are transferred from “under construction” to “completed properties” at practical completion.

### Impairment

A review of properties for indicators of impairment is undertaken annually. If housing properties have suffered impairment, the appropriate fall in value is recognised after deducting any Social Housing Grant and is charged to the income and expenditure account. Impairment provisions are not made where a planned subsidy meets internal criteria set by the Group for approval of such schemes. Assessing impairment requires the use of estimation techniques. In making this assessment, management considers publicly available information, external valuations and internal forecasts on future activity.

### Depreciation

#### (i) Housing land and buildings:

The Group depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged in which case the unexpired term of the lease is adopted as

the useful economic life of the relevant component.

Freehold land is not depreciated. Social Housing Grant (and other capital grants) is allocated across the components for the purpose of calculating depreciation where appropriate.

Freehold housing properties are depreciated by component on a straight line basis over the estimated useful economic lives of the components as follows:

<b>Boilers</b>	15 yrs
<b>Central heating systems</b>	30 yrs
<b>Kitchens</b>	20 yrs
<b>Bathrooms</b>	30 yrs
<b>Service chargeable components – short life</b>	10 yrs
<b>Service chargeable components – long life</b>	30 yrs
<b>Externals</b>	30 yrs
<b>Roofs</b>	50 yrs
<b>Windows and doors</b>	30 yrs
<b>Electrics</b>	30 yrs
<b>Structure</b>	100 yrs
<b>Energy improvements</b>	20 yrs

The costs of major repairs to replace or renew components in rental properties are fully capitalised and depreciated as components (see Works to existing properties accounting policy note). The remaining net book value, if any, when components are replaced or renewed is charged as accelerated depreciation in the income and expenditure account.

Octavia's retained investment in shared ownership properties is not depreciated as residual values are generally greater than the historic book cost.

#### **(ii) Other fixed assets:**

Depreciation is charged on a straight-line basis from the month of purchase over the expected useful lives of the assets at the following rates:

- A.** Office accommodation is depreciated at 1.33% per annum of the cost.
- B.** Office furniture and fittings are depreciated at 10% per annum of the cost.
- C.** Computer equipment is depreciated at 25% per annum of the cost.
- D.** Computer software costing more than £10,000 is depreciated at 33.3% per annum of the cost.
- E.** Motor vehicles are depreciated at 25% per annum of the cost.
- F.** Commercial properties are depreciated at 2% per annum of the cost.
- G.** Shop refurbishment costs are depreciated at 20% per annum or over the remaining term of the lease if longer than 5 years.

#### **Social housing grant (SHG) and other grants**

Where developments have been financed wholly or partly by SHG and

other grants, the cost of development is shown gross with the amount of grant as a deduction. This grant may become repayable when housing properties are sold. SHG released on the sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposals Proceeds Fund and is included in the balance sheet as creditors.

#### **Mixed tenure development**

Octavia develops some schemes which comprise more than one tenure type (for example, schemes with properties both for rent and for shared ownership and also properties for outright sale).

Where there is a surplus on one tenure type (i.e. the sales proceeds plus value in use exceeds the cost net of grant) and a shortfall on another (the cost net of grant exceeds the value in use), then only the overall net surplus on the scheme is recognised as properties are sold. This reflects the existence of cross-subsidy between scheme elements.

The surplus recognised on first tranche sales of shared ownership units and outright sales is restricted to the overall surplus on that development scheme.

This cross-subsidy is accounted for as an increase in the cost of sales and a reduction in the remaining fixed asset cost of the development in the balance sheet.

## **Capitalisation of development department costs**

The costs of the development team salaries (excluding overheads, time spent on abortive schemes and net of the relevant proportion of development fees earned) are capitalised in the costs of schemes developed each year.

## **Shared ownership properties**

Under Shared Ownership arrangements, the Group disposes of a long lease to the occupier; the initial lease premium paid for the first tranche is for between 25% and 75% of the value. The occupier has the right to purchase further proportions up to 100%. A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset and stated at the lower of cost and net realisable value; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties. Proceeds of sale for first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold ("staircasing") are reflected in the income and expenditure account as a surplus or deficit on sale of housing properties.

## **Works to existing properties**

The association undertakes a major programme of principal component

replacements which ensures that the stock meets or exceeds the Decent Homes Standard. The costs are fully capitalised according to the principles of component accounting. Any other major repair expenditure is currently capitalised to the extent that it extends the useful life of the property or reduces future maintenance costs. Cyclical repair costs are charged to the Income and Expenditure account when incurred.

## **Projects managed by agents**

Octavia owns a number of properties used for specialist supported housing, which are run by outside agencies. Where the agencies carry the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association. Other income and expenditure of the hostels is excluded from the income and expenditure account.

## **Investments**

Investments in subsidiary undertakings are stated at cost less any impairment.

## **Current assets – Stock – housing properties**

Stock – housing properties comprises the proportion of the cost of shared ownership properties that is expected to be sold in first tranche sales and the cost of outright sale properties. These are split between completed properties and properties under construction. The cost of stock includes acquisition and development costs together with

capitalised interest and administration costs. Stock is stated at the lower of cost and net realisable value.

#### **Current assets – Stock – charity shops**

Donated goods are held at nil cost. Traded goods are shown at the lower of cost and net realisable value.

#### **Bad debts**

A full provision is made against former tenant arrears. A provision against arrears of current tenancies is made based on the age of the outstanding arrears.

#### **Loan arrangement fees**

The costs of arranging loan finance are treated as deferred financing costs and netted against the loan liability in the Balance Sheet. They are charged to the Income and Expenditure account over the term of the loan rather than in the year in which the cost is incurred.

#### **Pensions**

Octavia participates in a multi employer defined benefits final salary scheme. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the costs over the members' working lives. Octavia also operates a defined contribution scheme. Pension costs payable to that scheme are charged to the income and expenditure account on an incurred basis.

#### **Turnover**

Turnover represents rental income receivable, service charges receivable, first tranche sales of Shared Ownership and outright sales properties, fees, income from the Octavia charity shops and revenue grants from local and central government.

#### **Value added tax**

Octavia charges value added tax (VAT) on some of its income and is able to recover a small part of the VAT incurred on expenditure. The financial statements include VAT to the extent that it is incurred by Octavia and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

#### **Taxation**

Octavia Housing is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## Interest payable

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Interest payable is charged to the income and expenditure account on an accruals basis.

Interest is capitalised on borrowings to finance developments during the period of construction prior to completion.

## Financial Instruments

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The impact of financial instruments such as interest rate swaps is recorded in the Income and Expenditure account only in respect of current passing payments and on an accruals basis. Neither the market values of such instruments nor movements in them during the year are recorded in the Balance Sheet or the Income and Expenditure account, but disclosed by way of a note.

## Cash and liquid resources

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Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying value or traded in an active market. Liquid resources comprise term deposits of less than one year.

## 2. TURNOVER AND OPERATING SURPLUS

Group	Turnover	Cost of sales	Operating costs	Operating surplus/(deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/(deficit)
	2015	2015	2015	2015	2014	2014	2014	2014
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income and expenditure from social housing lettings</b>								
General needs housing (note 3)	23,804	–	(17,836)	5,968	22,405	–	(17,538)	4,867
Leasehold and shared ownership (note 3)	2,091	–	(923)	1,168	1,832	–	(614)	1,218
Supported housing (note 3)	3,742	–	(3,340)	402	3,399	–	(3,045)	354
	<b>29,637</b>	–	<b>(22,099)</b>	<b>7,538</b>	<b>27,636</b>	–	<b>(21,197)</b>	<b>6,439</b>
<b>Income and expenditure from non-social housing lettings</b>								
Market renting activities	95	–	(19)	76	141	–	(29)	112
<b>Other income and expenditure</b>								
<b>Social housing activities</b>								
Shared ownership sales	4,162	(3,440)	–	722	4,530	(3,759)	–	771
Property development costs	66	–	(1,026)	(960)	170	–	(936)	(766)
Supporting People	299	–	(269)	30	346	–	(294)	52
<b>Non social housing activities</b>								
Properties developed for sale	1,876	(1,459)	–	417	22,124	(20,113)	–	2,011
Commercial property	718	–	(307)	411	746	–	(284)	462
Impairment of commercial property	–	–	–	–	–	–	(650)	(650)
Community development	–	–	–	–	–	–	(62)	(62)
Lunch club and day centres	380	–	(502)	(122)	537	–	(528)	9
Octavia charity shops	2,143	–	(2,196)	(53)	2,273	–	(2,272)	1
Donation to Octavia Foundation	–	–	(370)	(370)	–	–	(300)	(300)
	<b>39,376</b>	<b>(4,899)</b>	<b>(26,788)</b>	<b>7,689</b>	<b>58,503</b>	<b>(23,872)</b>	<b>(26,552)</b>	<b>8,079</b>

Octavia Housing	Turnover	Cost of sales	Operating costs	Operating surplus/(deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/(deficit)
	2015	2015	2015	2015	2014	2014	2014	2014
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income and expenditure from social housing lettings</b>								
General needs housing (note 3)	23,804	–	(17,836)	5,968	22,405	–	(17,906)	4,499
Leasehold and shared ownership (note 3)	2,091	–	(923)	1,168	1,832	–	(614)	1,218
Supported housing (note 3)	3,742	–	(3,340)	402	3,399	–	(3,045)	354
	<b>29,637</b>	–	<b>(22,099)</b>	<b>7,538</b>	27,636	–	(21,565)	6,071
<b>Income and expenditure from non-social housing lettings</b>								
Market renting activities	95	–	(19)	76	141	–	(15)	126
<b>Other income and expenditure</b>								
<b>Social housing activities</b>								
Shared ownership sales	4,162	(3,440)	–	722	4,530	(3,759)	–	771
Property development costs	66	–	(1,026)	(960)	170	–	(936)	(766)
Supporting People	299	–	(269)	30	346	–	(294)	52
Gift aid donation from subsidiaries	129	–	–	129	339	–	–	339
<b>Non social housing activities</b>								
Properties for sale	1,113	(918)	–	195	11,944	(11,526)	–	418
Commercial property	718	–	(307)	411	746	–	(284)	462
Impairment of commercial property	–	–	–	–	–	–	(650)	(650)
Community development	–	–	–	–	–	–	(62)	(62)
Lunch club and day centres	380	–	(502)	(122)	537	–	(528)	9
Octavia charity shops	1,977	–	(2,068)	(91)	2,107	–	(2,194)	(87)
Recharge of Overheads to Subsidiaries	72	–	–	72	–	–	–	–
Donation to Octavia Foundation	–	–	(370)	(370)	–	–	(300)	(300)
Donation to Octavia Hill Limited	–	–	(292)	(292)	–	–	(1,323)	(1,323)
	<b>38,648</b>	<b>(4,358)</b>	<b>(26,952)</b>	<b>7,338</b>	<b>48,496</b>	<b>(15,285)</b>	<b>(28,151)</b>	<b>5,060</b>

### 3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

Group	General needs housing	Home ownership (inc shared ownership)	Supported and extra care housing	Total	Total
	2015	2015	2015	2015	2014
	£000	£000	£000	£000	£000
<b>Income</b>					
Rent receivable	22,126	1,493	1,299	24,918	23,230
Service charges income	1,678	598	534	2,810	2,732
	23,804	2,091	1,833	27,728	25,962
Supporting people fees receivable	-	-	123	123	173
Care fees receivable	-	-	1,786	1,786	1,501
<b>Income from Social Housing lettings</b>	<b>23,804</b>	<b>2,091</b>	<b>3,742</b>	<b>29,637</b>	<b>27,636</b>
<b>Expenditure on letting activities</b>					
Service charges costs	2,068	765	229	3,062	2,816
Extra care and supported costs	-	-	1,965	1,965	1,703
Management	4,424	139	749	5,312	4,750
Routine maintenance	4,450	15	240	4,705	5,305
Cyclical maintenance	3,012	-	43	3,055	3,202
Major repairs	385	-	-	385	709
Rent losses from bad debts	100	4	-	104	117
Depreciation on housing properties	3,066	-	114	3,180	2,891
Accelerated depreciation on replaced components	331	-	-	331	334
Release of provision against rented properties	-	-	-	-	(630)
<b>Total expenditure on Social Housing lettings</b>	<b>17,836</b>	<b>923</b>	<b>3,340</b>	<b>22,099</b>	<b>21,197</b>
<b>Operating surplus on Social Housing lettings</b>	<b>5,968</b>	<b>1,168</b>	<b>402</b>	<b>7,538</b>	<b>6,439</b>
<b>Rent losses from voids</b>	<b>(313)</b>	<b>-</b>	<b>(24)</b>	<b>(337)</b>	<b>(295)</b>

## Housing stock

Octavia Housing and Group	2015	2014
	Number	Number
<i>At 31 March</i>		
General needs		
Social Rented	3,323	3,323
Affordable Rented	105	72
Supported housing		
Managed by Octavia	292	289
Managed by agents	86	86
Shared Ownership and Rent to Homebuy	340	317
Total social housing accommodation	<b>4,146</b>	4,087
Other leaseholder	211	194
Other properties	11	11
	<b>4,368</b>	4,292

### 3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

**continued**

Octavia Housing	General needs housing	Home ownership (inc shared ownership)	Supported and extra care housing	Total	Total
	2015	2015	2015	2015	2014
	£000	£000	£000	£000	£000
<b>Income</b>					
Rent receivable	22,126	1,493	1,299	24,918	23,230
Service charges income	1,678	598	534	2,810	2,732
	23,804	2,091	1,833	27,728	25,962
Supporting people fees receivable	–	–	123	123	173
Care fees receivable	–	–	1,786	1,786	1,501
<b>Income from Social Housing lettings</b>	<b>23,804</b>	<b>2,091</b>	<b>3,742</b>	<b>29,637</b>	<b>27,636</b>
 <b>Expenditure on letting activities</b>					
Service charges costs	2,068	765	–	2,833	2,816
Extra care and supported costs	–	–	2,194	2,194	1,703
Management	4,424	139	749	5,312	4,750
Routine maintenance	4,450	15	240	4,705	5,305
Cyclical maintenance	3,012	–	43	3,055	3,202
Major repairs	385	–	–	385	709
Rent losses from bad debts	100	4	–	104	117
Depreciation on housing properties	3,066	–	114	3,180	2,891
Accelerated depreciation on replaced components	331	–	–	331	334
Impairment of rented properties	–	–	–	–	368
Release of provision against rented properties	–	–	–	–	(630)
<b>Total expenditure on Social Housing lettings</b>	<b>17,836</b>	<b>923</b>	<b>3,340</b>	<b>22,099</b>	<b>21,565</b>
 <b>Operating surplus on Social Housing lettings</b>	<b>5,968</b>	<b>1,168</b>	<b>402</b>	<b>7,538</b>	<b>6,071</b>
 <b>Rent losses from voids</b>	<b>(313)</b>	<b>–</b>	<b>(24)</b>	<b>(337)</b>	<b>(295)</b>

## 4. BOARD AND EXECUTIVE OFFICERS' EMOLUMENTS

Octavia Housing and Group	2015 £000	2014 £000
Aggregate emoluments including pension contributions paid to 5 (2014:5) executive officers	<b>593</b>	565
Aggregate emoluments paid to 12 (2014:9) Board members	<b>55</b>	54
Emoluments of highest paid officer excluding pension contributions	<b>136</b>	130
Contributions to pension fund	<b>14</b>	14

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of this scheme and no enhanced or special terms apply. Octavia does not make any further contribution to an individual pension arrangement for the Chief Executive.

## 5. EMPLOYEE INFORMATION

The average weekly number of persons (including the officers and senior executives) employed during the year were as follows:

	2015 Number	2014 Number
Full time employment	224	226
Part time employment – full time equivalents	59	43
	<b>283</b>	<b>269</b>

Full time equivalents are based on a standard working week of 35 to 39 hours.

The total staff costs during the year were as follows:

	Octavia Housing	Group	Octavia Housing	Group
	2015	2015	2014	2014
	£000	£000	£000	£000
Wages and salaries	7,874	8,049	7,766	7,887
Social security costs	727	746	747	747
Other pensions costs	433	446	331	335
	<b>9,034</b>	<b>9,241</b>	<b>8,844</b>	<b>8,969</b>

The remuneration paid to higher paid staff, excluding pension contributions fell in the following bands:

Octavia Housing and Group	2015	2014
£60,001 to £70,000	7	7
£80,001 to £90,000	1	1
£90,001 to £100,000	1	1
£100,001 to £110,000	2	2
£120,001 to £130,000	1	1

## 6. INTEREST PAYABLE AND SIMILAR CHARGES, INTEREST RECEIVABLE

	Octavia Housing	Group	Octavia Housing	Group
	2015	2015	2014	2014
	£000	£000	£000	£000
<b>Interest payable</b>				
Interest payable on bank and other loans	<b>5,585</b>	<b>5,585</b>	4,872	4,872
Less: Interest capitalised at an average rate of 4.0% (2014: 4.5%) on housing properties under construction	(629)	(984)	(958)	(1,231)
	<b>4,956</b>	<b>4,601</b>	3,914	3,641
Add: Amounts paid to break fixed interest rate arrangements	<b>1,314</b>	<b>1,314</b>	–	–
	<b>6,270</b>	<b>5,915</b>	3,914	3,641
<b>Interest receivable</b>				
Interest receivable on bank and building society deposits	<b>111</b>	<b>124</b>	85	85
Interest receivable from subsidiary	<b>355</b>	–	273	–
	<b>466</b>	<b>124</b>	358	85

## 7. SURPLUS FOR THE YEAR

Octavia Housing and Group	2015	2014
	£000	£000
<b>The surplus for the year is stated after charging/(crediting)</b>		
Impairment on commercial properties	–	650
Depreciation on housing properties		
Annual charge	<b>3,180</b>	2,891
Accelerated depreciation on component replacements	<b>331</b>	334
Depreciation on other fixed assets	<b>614</b>	591
Surplus on disposal of housing properties	<b>(1,797)</b>	(1,091)

	Octavia Housing	Group	Octavia Housing	Group
	2015	2015	2014	2014
	£000	£000	£000	£000
Auditors remuneration (excluding VAT)				
Audit of these financial statements	<b>37</b>	<b>42</b>	40	45
Other services relating to taxation	–	–	7	7
Other services – loan covenant compliance	<b>1</b>	<b>1</b>	1	1
Other services – FRS102	<b>6</b>	<b>6</b>	–	–

## 8. FIXED ASSETS – HOUSING PROPERTIES

Group	Completed housing properties	Completed shared owner- ship properties	Housing properties under construction	Shared ownership prop- erties under construction	Total £000
	£000	£000	£000	£000	
<b>Cost</b>					
At 1 April 2014	329,644	47,035	9,787	6,012	392,478
Transfer from current assets	401	(59)	–	–	342
Additions during year					
Construction	–	–	21,705	7,543	29,248
Replaced components	5,311	–	–	–	5,311
Improvements	620	–	–	–	620
Completions during year	13,615	4,740	(13,615)	(4,740)	–
Disposals during the year					
Properties	(472)	(1,880)	–	–	(2,352)
Components replaced	(1,223)	–	–	–	(1,223)
At 31 March 2015	347,896	49,836	17,877	8,815	424,424
<b>Social Housing Grant</b>					
At 1 April 2014	184,713	15,645	2,440	663	203,461
Additions during year	274	145	2,819	160	3,398
Completions during year	1,119	823	(1,119)	(823)	–
Recycled on disposals	(41)	(675)	–	–	(716)
Written off on components replaced	(544)	–	–	–	(544)
At 31 March 2015	185,521	15,938	4,140	–	205,599
<b>Depreciation and Impairment</b>					
At 1 April 2014	19,778	60	–	–	19,838
Annual charge	3,180	–	–	–	3,180
Released on replacement of components	(349)	–	–	–	(349)
Released on disposal	(6)	(10)	–	–	(16)
At 31 March 2015	22,603	50	–	–	22,653
<b>Net book value</b>					
At 31 March 2015	139,772	33,848	13,737	8,815	196,172
At 31 March 2014	125,153	31,330	7,347	5,349	169,179
				2015 £000	2014 £000
<b>Housing properties net book values comprise</b>					
Freehold land and buildings				143,858	130,029
Leasehold properties				52,314	39,150
				196,172	169,179

Octavia Housing	Completed housing properties	Completed shared owner- ship properties	Housing properties under construction	Shared ownership prop- erties under construction	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2014	331,491	47,035	9,927	6,012	394,465
Transfer from Current Assets	401	(59)	–	–	342
Additions during year					
Construction	–	–	21,340	7,130	28,470
Replaced components	5,311	–	–	–	5,311
Improvements	619	–	–	–	619
Completions during year	13,753	4,740	(13,753)	(4,740)	–
Disposals during the year					
Properties	(472)	(1,880)	–	–	(2,352)
Components replaced	(1,223)	–	–	–	(1,223)
At 31 March 2015	349,880	49,836	17,514	8,402	425,632
<b>Social Housing Grant</b>					
At 1 April 2014	184,713	15,645	2,440	663	203,461
Additions during year	274	145	2,819	160	3,398
Completions during year	1,120	823	(1,120)	(823)	–
Recycled on disposals	(41)	(675)	–	–	(716)
Written off on components replaced	(544)	–	–	–	(544)
At 31 March 2015	185,522	15,938	4,139	–	205,599
<b>Depreciation and Impairment</b>					
At 1 April 2014	20,146	60	–	–	20,206
Annual charge	3,180	–	–	–	3,180
Released on replacement of components	(349)	–	–	–	(349)
Released on disposal	(6)	(10)	–	–	(16)
At 31 March 2015	22,971	50	–	–	23,021
<b>Net book value</b>					
At 31 March 2015	141,387	33,848	13,375	8,402	197,012
At 31 March 2014	126,632	31,330	7,487	5,349	170,798
				2015	2014
				£000	£000
<b>Housing properties net book values comprise</b>					
Freehold land and buildings				144,698	131,648
Leasehold properties				52,314	39,150
				197,012	170,798

## 8. FIXED ASSETS – HOUSING PROPERTIES

**continued**

Given Octavia's long held policy of capitalising the finance costs associated with carrying out development activity, it is not possible to disclose the aggregate amount of finance costs in the cost of housing properties prior to 2002. The cumulative interest capitalised since 2002 is £3,473k (2014: £2,844k).

Octavia's completed housing and equity in shared ownership properties were valued on a desktop basis as at 31 March 2015 by Jones Lang LaSalle LLP on the various different bases as follows:

	2015 £m	2014 £m
Open Market Value with Vacant Possession (OMV-VP)	<b>1,973</b>	1,785
Market Value subject to existing Tenancies (MV-T)	<b>949</b>	859
Existing Use Value for Social Housing (EUV-SH)	<b>416</b>	382

## 9. OTHER TANGIBLE FIXED ASSETS

Octavia Housing and Group	Office accommodation £000	Commercial properties £000	Motor vehicles £000	Office equipment £000	Octavia shops £000	Total
<b>Cost</b>						
At 1 April 2014	<b>7,716</b>	6,324	94	2,023	399	16,556
Additions for year	–	70	–	428	48	546
At 31 March 2015	<b>7,716</b>	6,394	94	2,451	447	17,102
<b>Depreciation</b>						
At 1 April 2014	664	1,625	85	1,561	264	4,199
Charged for year	83	82	8	412	29	614
At 31 March 2015	<b>747</b>	1,707	93	1,973	293	4,813
<b>Net book value</b>						
At 31 March 2015	<b>6,969</b>	4,687	1	478	154	12,289
At 31 March 2014	<b>7,052</b>	4,699	9	462	135	12,357

The commercial properties were valued at OMV by Savills in March 2014 at £8.1m. In the opinion of the Board, this figure has not changed materially over the last year.

## 10. INVESTMENT IN SUBSIDIARIES

Octavia Housing	2015	2014
	£000	£000
Cost and net book value at 31 March	10	10

Details of subsidiary undertakings are set out in Note 24

## II. STOCK

	Octavia Housing	Group	Octavia Housing	Group
	2015	2015	2014	2014
	£000	£000	£000	£000
<b>Housing properties</b>				
Properties under construction	2,832	7,639	2,259	6,044
Completed properties	2,174	2,174	4,216	4,534
	5,006	9,813	6,475	10,578
Charity shops traded goods	–	31	–	55
	5,006	9,844	6,475	10,633

Stock includes the proportion of the cost of shared ownership properties both completed and under construction that is expected to relate to first tranche sales and outright sale properties both completed and under construction, as follows:

Stock for Octavia Housing includes £140k (2014: £325k) of capitalised interest costs and for Group £815k (2014: £772k).

	Octavia Housing	Group	Octavia Housing	Group
	2015	2015	2014	2014
	£000	£000	£000	£000
<b>Shared ownership properties</b>				
Completed properties	2,123	2,123	2,464	2,464
Properties under construction	2,832	3,051	2,259	3,056
	4,955	5,174	4,723	5,520
Properties developed for outright sale	–	–	1,228	1,546
Properties for outright sale under construction	–	4,588	–	2,988
Other properties for sale	51	51	524	524
	5,006	9,813	6,475	10,578

Goods received as donation for sale in charity shops have no recorded book cost.

## 12. DEBTORS

	Octavia Housing	Group	Octavia Housing	Group
	2015	2015	2014	2014
	£000	£000	£000	£000
<b>Amounts receivable within one year</b>				
General needs rental and service charges	<b>1,176</b>	<b>1,176</b>	1,228	1,228
Provision for doubtful debts	(525)	(525)	(425)	(425)
	<b>651</b>	<b>651</b>	803	803
Leasehold debtors	<b>206</b>	<b>206</b>	140	140
Other debtors	<b>1,962</b>	<b>1,967</b>	2,603	2,604
Prepayments and accrued income	<b>721</b>	<b>984</b>	584	584
Amounts due from subsidiaries	–	–	112	–
Amounts due from related party – The Octavia Foundation	–	–	42	42
	<b>3,540</b>	<b>3,808</b>	4,284	4,173
<b>Amounts receivable after one year</b>				
Amounts due from subsidiaries	<b>5,122</b>	–	3,685	–
	<b>8,662</b>	<b>3,808</b>	7,969	4,173

The amount due from subsidiaries includes £4.9m in respect of Octavia Living Limited which arises from a loan agreement to fund the construction of housing at a site in West London, which includes an element of social housing. Interest is payable at normal commercial rates and the loan is due to be fully repaid by April 2017.

### I3. SHORT TERM DEPOSITS

Included within short term deposits at 31 March 2015 are amounts subject to restrictions on use, totalling £2.3m (2014: £4.1m). These amounts comprise £107k (2014: £107k) which relates to funds held on trust for leaseholders, £2.1m (2014: £2.1m) held for the future development of social housing for older persons, £nil (2014: £1.0m) held as security for a financial derivatives transaction and £nil (2014: £0.9m) of Social Housing Grant received for payment to other members of the Connected Partnership and £0.1m (2014: £nil) to secure a guarantee for the Royal Borough of Kensington and Chelsea pension scheme.

### I4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>Octavia Housing</b>	<b>Group</b>	<b>Octavia Housing</b>	<b>Group</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing loan (see note 15)	<b>5,509</b>	<b>5,509</b>	4,514	4,514
Trade creditors	<b>10,510</b>	<b>11,358</b>	8,453	9,010
Rent received in advance	<b>982</b>	<b>982</b>	688	688
Accrued interest	<b>954</b>	<b>954</b>	771	771
Other creditors and accruals	<b>436</b>	<b>1,076</b>	426	426
Grant received in advance	<b>2,579</b>	<b>2,579</b>	3,886	3,886
Social security and other taxation	<b>280</b>	<b>280</b>	219	224
Amounts due to subsidiaries	<b>263</b>	–	–	–
Amounts due to related party – The Octavia Foundation	<b>72</b>	<b>72</b>	–	–
	<b>21,585</b>	<b>22,810</b>	18,957	19,519

## 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Octavia Housing and Group	2015	2014
	£000	£000
<b>Housing loans</b>		
Due to banks	<b>133,038</b>	134,488
Less: Loan issue costs	(721)	(776)
	<b>132,317</b>	133,712
Recycled Capital Grant Fund	<b>1,371</b>	1,067
Disposal Proceeds Fund	–	500
<b>Non housing loans</b>		
Due to loan stock holders with no redemption date	<b>25</b>	25
	<b>133,713</b>	135,304

Housing loans are secured by specific charges on 45% (2014: 49%) of Octavia's housing properties and are repayable at rates of interest varying between 0.75% and 11.50% (2014: 0.74% and 11.50%) due as follows:

Octavia Housing and Group	2015	2014
	£000	£000
<b>Housing loans by instalments</b>		
Due within 1 year	<b>5,509</b>	4,514
Between 1 and 2 years	<b>1,926</b>	5,459
Between 2 and 5 years	<b>13,591</b>	13,155
In 5 years or more	<b>111,987</b>	110,340
	<b>133,013</b>	133,468
Advances under pre-1988 arrangements	<b>34</b>	34
<b>Not by instalments</b>		
In 5 years or more	<b>3,500</b>	3,500
Between 3 and 4 years	–	2,000
Between 1 and 2 years	<b>2,000</b>	–
Total housing loans	<b>138,547</b>	139,002
<b>Non housing loans by instalments</b>		
In five years or more	<b>25</b>	25
	<b>138,572</b>	139,027
Less: Loan issue costs	(721)	(776)
	<b>137,851</b>	138,251

## Recycled grant and disposal proceeds funds

Octavia Housing and Group	Recycled grant fund	Disposals proceeds fund
	£000	£000
At 1 April 2014	1,067	500
<b>Social housing grant on disposals in the year</b>		
From staircasing of shared ownership properties	686	–
From sales of other properties	12	–
Interest credited to the funds	4	2
	<b>1,769</b>	<b>502</b>
Social housing grant applied to new properties in the year	(398)	(502)
At 31 March 2015	<b>1,371</b>	–

The balances outstanding at 31 March 2015 are due to the Greater London Authority. There are no amounts due for repayment.

## 16. INTEREST RATE DERIVATIVE TRANSACTIONS

Octavia Housing has entered into long term fixed rate borrowings and embedded and free standing interest rate swap contracts to fix the rates of £110m (2014: £115m) of its borrowing portfolio until various dates up to 2033. The negative fair value of these contracts at 31 March 2015 was £30.9m (2014: £16.6m).

The fair values of these contracts have not been recognised in either the Income and Expenditure or the Balance Sheet.

## 16. INTEREST RATE DERIVATIVE TRANSACTIONS

**continued**

### Hedging Position

At 31 March 2015, Octavia Housing's borrowings were hedged as follows:

	Principal 2015		Principal 2014	
	£m	%	£m	%
Interest rates fixed for more than 12 months	<b>93.7</b>	<b>69</b>	98.0	70
Fixed interest rates with lender's option to cancel	–	0	5.0	4
Fixed by free standing financial derivative	<b>12.0</b>	<b>9</b>	12.0	9
	<b>105.7</b>	<b>78</b>	115.0	83
Floating rate (interest rates fixed for less than 12 months)	<b>30.8</b>	<b>22</b>	24.0	17
	<b>136.5</b>	<b>100</b>	139.0	100

The £12m free standing interest rate swap agreement is with another Registered Provider of social housing.

In May 2014 the interest rate on a £10m loan from THFC – EIB loan was fixed for 30 years from the agreed drawdown date in December 2015.

## 17. NON-EQUITY SHARE CAPITAL

Each member of Octavia Housing holds a non-equity share from one of the following classes of allotted, issued and fully paid shares:

	Number of shares			2015	2014	
	£1 ord	Class A	Class B	Class C	£	£
£1 ordinary	<b>106</b>	–	–	–	<b>106</b>	104
Class A £1	–	<b>77</b>	–	–	<b>77</b>	77
Class B £0.05	–	–	<b>1</b>	–	<b>1</b>	1
Class C £5	–	–	–	<b>18</b>	<b>90</b>	90
<i>As at 31 March</i>	<b>106</b>	<b>77</b>	<b>1</b>	<b>18</b>	<b>274</b>	272

All shares carry equal voting rights but have no entitlement to interest, dividend or bonus and are cancellable on death, expulsion or withdrawal of a member from Octavia Housing.

## 18. RESERVES

	<b>Octavia Housing</b>	<b>Group</b>
	Revenue	Revenue
	£000	£000
<i>At 1 April 2014</i>	<b>73,483</b>	77,285
Surplus for the year	<b>4,680</b>	5,044
<i>At 31 March 2015</i>	<b>78,163</b>	82,329

## 19. CAPITAL COMMITMENTS

	<b>Octavia Housing</b>	<b>Group</b>	<b>Octavia Housing</b>	<b>Group</b>
	2015	2015	2014	2014
	£000	£000	£000	£000
Expenditure contracted for but not provided	<b>19,131</b>	<b>19,131</b>	27,015	27,015
Expenditure authorised by the Board but not contracted for	<b>25,862</b>	<b>25,862</b>	38,412	47,701
	<b>44,993</b>	<b>44,993</b>	65,427	74,716
Other Contractual Commitments	–	<b>9,838</b>	–	–

The contracted capital commitments stated above are being funded by £3.5m (2014: £7.1m) of Social Housing Grant and £15.6m of existing secured borrowing facilities. It is expected that sales of shared ownership units in these developments will give rise to proceeds of £8.8m, which will be used to repay revolving credit facilities. The developments not yet contracted for are expected to be financed by a mixture of sales, expected revenue cash flows and bank loans.

## 20. OPERATING LEASES

At 31 March 2015, the group had annual commitments under non-cancellable operating leases for buildings and office equipment as follows:

Octavia Housing and Group	2015	2014
	£000	£000
In two to five years	239	218
After five years	455	436
	<b>694</b>	<b>654</b>

## 21. SURPLUS ON DISPOSAL OF FIXED ASSETS

Octavia Housing and Group	2015	2014
	£000	£000
Net proceeds of property sales	5,534	4,204
Disposal costs	(52)	(29)
Net book value of assets disposed	(2,336)	(2,817)
Transfer to the Disposal Proceeds Fund	–	(267)
Net surplus on sales	<b>3,146</b>	<b>1,091</b>

In the year to 31 March 2015 there were 3 properties (2014: 2) sold as being unsuitable for social housing. There were staircasing receipts on 18 shared ownership property sales (2014: 18) and 9 (2014: 3) other properties let under the Rent to Homebuy scheme were sold.

## 22. GROUP CASH FLOW STATEMENT

### A. Reconciliation of operating surplus to net cash inflow from operating activities

Group	2015	2014
	£000	£000
Operating surplus for the year	7,689	8,079
Impairment	–	14
Depreciation on housing properties	3,180	3,225
Accelerated depreciation on replaced components	331	–
Depreciation of other fixed assets	614	591
Amortisation of loan finance costs	–	50
Change in stock	388	15,903
Change in debtors	365	912
Change in creditors	2,508	162
<b>Net cash inflow from operating activities</b>	<b>15,075</b>	<b>28,936</b>

### B. Reconciliation of net cash flow to movement in net debt

Group	2015	2014
	£000	£000
Decrease in cash at bank during the year	(1,722)	(1,307)
Movements in short term deposits	(17,305)	23,044
Loans advanced	(4,000)	(10,000)
Loans repaid	4,455	10,637
Change in net debt	(18,572)	22,374
Net debt at start of period	(103,235)	(125,609)
Net debt at end of period	(121,807)	(103,235)

### C. Change in net debt

Group	2014	Cash flow	Non cash	2015
	£000	£000	£000	£000
Bank balances and cash	3,223	(1,722)	–	1,501
Short term deposits	32,544	(17,305)	–	15,239
Debt due within 1 year	(4,514)	(4,455)	(5,450)	(5,509)
Debt due after 1 year	(134,488)	(4,000)	5,450	(133,038)
	(103,235)	(18,572)	–	(121,807)

## 23. PENSIONS

### A. Defined contribution group personal pension

Octavia operates two defined contribution group personal pension plans, one of which is closed to new members. Pension costs payable to the schemes are charged to the Income and Expenditure account on an incurred basis. Pension costs for the period in respect of the defined contribution schemes are £390k (2014: £272k).

### B. Defined benefit pension scheme – SHPS

Octavia also participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

- It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
- The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.
- The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.
- The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

### C. Defined benefit pension scheme – Local Government Pension Scheme (LGPS)

The Association is also an admitted body to the LGPS administered by the Royal Borough of Kensington and Chelsea (RBKC). The LGPS is a multi-employer defined benefit statutory scheme administered in accordance with the LGPS (Benefits, Membership and Contribution) Regulations 2007, the LGPS (Administration) Regulations 2008 and the LGPS (Transitional Provisions) Regulations 2008. It is contracted out of the State Pension scheme.

Membership of the scheme is restricted to former RBKC employees who were transferred under Transfer of Undertakings Protection of Employment (TUPE) regulations on 1 December 2014, at which there were no past service deficits. Any future service deficits are guaranteed by a bond (£135,000) underwritten by HSBC Plc.

The triennial statutory revaluation of the fund was carried out as at 31 March 2013 to assess the contribution rate of individual employers within the fund. The employers' contribution rate is the average cost of future service benefits of pensionable pay with adjustments to take account of certain circumstances that are peculiar to individual employers or group of employers.

During the accounting period the Association paid contributions at the rate of up to 16% with a minimum employee contribution of 5.5%.

As at March 15 there were 8 active members of the Scheme employed by the Association. The charge to the Association for the year was £12,626.

## 24. SUBSIDIARY UNDERTAKINGS

During the year ended 31 March 2015 Octavia wholly owned the following undertakings incorporated under the Companies Act:

Name	Country of incorporation	Nature
Kensal Enterprises Limited	England	Trading company
Octavia Development Services Limited	England	Trading company
Octavia Living Limited	England	Trading company

In addition as at 31 March 2015 Octavia was a member of and controlled the composition of the Board of Management of the following Community Benefit Society.

Name	Country of incorporation	Nature
Octavia Hill Limited	England	Housing charity

## 25. RELATED UNDERTAKINGS

During the year ended 31 March 2015 the Board of Octavia Housing was able to nominate up to one third of the members of the Trustee board of The Octavia Foundation.

Name	Country of incorporation	Nature
The Octavia Foundation	England	Charity

During the year ended 31 March 2015, Octavia Housing had incurred costs and received revenues from and on behalf of its related undertakings as follows:

The Octavia Foundation	2015 £000	2014 £000
Amounts due from/(to)the Octavia Foundation at start of year	42	(116)
Donation made by Octavia Housing	(370)	(300)
Monies received from The Octavia Foundation	-	-
Payments made to and on behalf of The Octavia Foundation	256	458
Amounts due (to)/from The Octavia Foundation at end of year	(72)	42

## 26. RELATED PARTY TRANSACTIONS

At 31 March 2015 there was one (2014: three) member of the Board who had a tenancy agreement with Octavia. The tenancy agreements have been granted on the same terms as for all other tenants and the housing management procedures including those relating to the management of arrears, have been applied consistently to those tenants. In addition, there was one shared owner who was a member of the Board.

Octavia Housing, the Association, charges a management fee to the other entities within the Group. The basis of this is the estimated cost of staff time in managing the entities' operations.

The charges are as follows:

Kensal Enterprises Limited	£20,000
Octavia Development Services Limited	£10,000
Octavia Hill Limited	£12,000
Octavia Living Limited	£20,000

Octavia Housing, a regulated entity, has lent £5m (2014: £3.7m) to Octavia Living Limited to finance its developments at Gladstone Village. This loan is expected to be repaid out of the proceeds of the sale of the development and carries a market rate of interest. During the year, Octavia Housing made a donation to Octavia Hill Limited of one (2014: five) flats at a value of £0.3m (2014: £1.3m).

Octavia Development Services Limited provides development services to Octavia Housing. Sales to Octavia Housing include a 7.5% mark-up on the costs paid to suppliers to cover overheads. Any surpluses generated by Octavia Development Services Limited are donated to Octavia Housing or to Octavia Hill Limited.

The principal activity of Kensal Enterprises Limited is the purchase and sale of manufactured goods through charity shops in West London, owned by Octavia Housing. Kensal Enterprises Limited's activity in these shops is ancillary to Octavia Housing's sale of donated goods. Any surpluses generated by Kensal Enterprises Limited are donated to Octavia Housing or to Octavia Hill Limited.

## 27. CONTINGENT LIABILITIES

Social Housing Grant of £5.3m (2014 £4.8m) attributed to housing property components replaced is potentially repayable on the sale of the relevant property.

## 28. IMPACT OF UK BUDGET ANNOUNCEMENT

On 8 July 2015 the UK government announced a number of proposals that will impact Octavia Housing and the affordable housing sector, including a 1% decrease in rents each year, for four years, commencing in 2016/17. This is a non-adjusting post balance sheet event.

Until further details of the budget proposals are made available the Octavia Housing will not be able to determine specific details of the financial impact, however a re-appraisal of business strategy will be undertaken in the near future to identify options and agree any revisions deemed appropriate. In the meantime the work undertaken to date indicates that it remains appropriate to continue to prepare the financial statements on a going concern basis.

## 29. INCORPORATION

Octavia Housing is an exempt charity incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of social housing.

## APPENDIX – BOARD MEMBERS

Octavia Housing is a member of the National Housing Federation (NHF) and its board has adopted and complies with the NHF code 'Excellence in Governance'.

Our main board generally comprises 11 members, including 7 external non-executives, 3 residents and our Chief Executive.

In accordance with our commitment to transparency we are publishing, on a named basis, details of our non-executive board members and the fees they received during the year:

### Andrew Herbert



Chairman, Octavia Housing, Octavia Hill Limited and Kensal Enterprises Limited  
 Chairman of the Nominations & Remuneration Committee  
 Member of the Audit Committee

Specialism: Chartered Accountant  
 Full year fee: £12,000

### Simon Porter



Chairman, Octavia Development Services Limited  
 Treasurer Octavia Housing, Octavia Hill Limited  
 Chairman of the Audit Committee and our Treasury Task & Finish Group  
 Member of the Nominations & Remuneration Committee

Specialism: Chartered Accountant  
 Full year fee: £6,500

### Gwen Godfrey



Octavia Housing, Octavia Hill Limited  
 Audit Committee  
 Treasury Task & Finish Group  
 Vice Chair of Octavia Housing from 22 September 2014

Specialism: Lawyer  
 Full year fee: £4,500

### Annie Lathaen



Octavia Housing & Octavia Hill Limited  
 Services Scrutiny Panel  
 Charity Shops Advisory Group

Specialism: Housing professional  
 Full year fee: £4,500

**Debbie Sorkin**

Octavia Housing

**Specialism:** Chief Executive of the National Skills Academy for Social Care and a non-executive director with senior management social care experience

**Full year fee:** £4,500

**Rosalind Stevens (appointed 2 June 2014)**

Octavia Housing

**Specialism:** Octavia Resident with experience of working in social & consumer policy development & implementation

**Full year fee:** £4,500

**Angus Taylor**

Octavia Housing &amp; Octavia Hill Limited

**Specialism:** Chartered Surveyor and Fellow of the Association of Building Engineers, Board Health & Safety Champion

**Full year fee:** £4,500

**Rajan Upadhyaya**

Octavia Housing and Octavia Hill Limited

**Chairman of the Development Panel**

**Specialism:** Director with senior development expertise within the housing association and local authority sectors

**Full year fee:** £6,500

**Aldo Williams (appointed 21 July 2014)**

Octavia Housing

**Specialism:** Octavia Resident with senior health experience in central London

**Full year fee:** £4,500

**Aisha Ali (resigned 15 December 2014)**

Octavia Housing

**Specialism:** Octavia Resident

**Full year fee:** £4,500

**Jean Roch (retired 2 June 2014)**

Octavia Housing & Octavia Hill Limited  
Nominations & Remuneration Committee  
Services Scrutiny Panel  
Development Panel

Specialism: Octavia Resident with experience of working in the health service

Full year fee: £4,500

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**Sylvia Warman-James (retired 2 June 2014)**

Vice-Chair of Octavia Housing & Octavia Hill Limited  
Nominations & Remuneration Committee

Specialism: Octavia Resident with experience in information systems for choice-based lettings

Full year fee: £6,500

In addition to our board members, we would like to acknowledge those who have contributed to the work of the committees and panels within our main governance structure during the year:

Martin Aldred (Audit Committee);

Fiona Holmes, Peter Chapman, Lara Samuels & Laurie Soden (Charity Shops Advisory Group);

James Dean, Patricia Cooper, Dorothy Delahunt, Annabelle Louvros, Ian MacLeod, Keith Usher, Amir Vata and David Wickersham (Services Scrutiny Panel); and

Irene Bannon, James Dean, Eileen Crawford (Complaints Panel).



CGI of new shared ownership homes currently under construction at Putney Plaza, Putney



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