OCTAVIA

Better lives for all

Annual report and financial statements 2020/21

Contents

Board, executives and advisors

The Board

Sandeep Katwala	Chair
Debbie Sorkin	Vice-Chair
Simon Porter	Treasurer (retired 30/09/20)
Sheila Fitzsimons	
Terry Gallagher	
John Holman	
Sandra Skeete	
Steve Smith	
Visakha Sri Chandrasekera	
Rosalind Stevens	
Hugh Thornbery	
Paul Williams	

Executive management

Sandra Skeete	Chief Executive
Abbi Agana	Director of Business Excellence and Innovation (appointed 17/08/2020)
Lynsey Bradshaw	Finance Director
Caroline Davies	Director of Asset Management (08/07/2020 to 06/08/2021)
David Markham	Director of Asset Management (appointed 26/07/2021)
Reena Mukherji	Director of the Octavia Foundation (retired 31/03/2021)
Sarah Shaw	Director of Homes, Care and Community
David Woods	Development Director

Principal advisors

Secretary & Registered Office

Colin Hughes
Emily House
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Tel: 020 8354 5500

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London
W1U 6AX

Internal Auditors

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St Katharine's Way
London
E1W 1DD

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Principal Legal Advisors

Devonshires
30 Finsbury Circus
London
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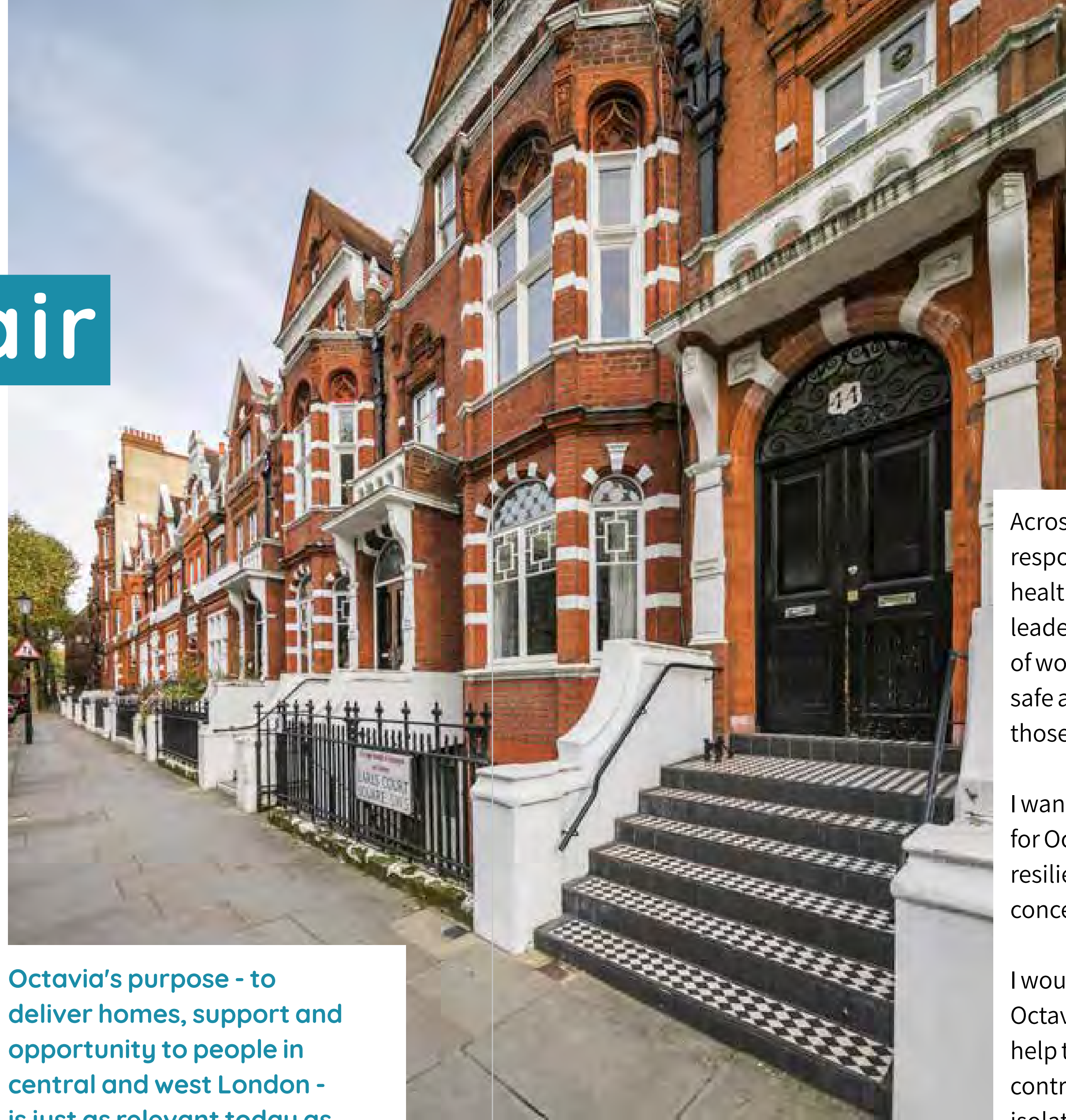
Statement from the Chair



Octavia's purpose - to deliver homes, support and opportunity to people in central and west London - is just as relevant today as when we were founded more than 150 years ago. Operating in some of the most expensive parts of the capital, we continue to build on this legacy through our unique offer that puts people and communities first.

Responding to Covid

Our work in 2020/21 was dominated by the challenge presented by the Covid pandemic, as we pivoted our work in order to continue to deliver essential services while focusing on keeping people safe and supported. Covid restrictions, which were in place for almost the whole year, meant the health, safety and wellbeing of residents, people who use our services and Octavia colleagues and contractors was, and continues to be, our absolute priority.

Across the organisation, we responded quickly to the public health emergency. Through effective leadership we adapted to new ways of working in order to keep people safe and provide crucial support to those in greatest need.

I want to thank everyone working for Octavia for their dedication and resilience during what has been a concerning time for all.

I would also like to thank all of Octavia's volunteers for their help throughout the year. Their contributions enabled us to keep isolated people engaged with their communities and support some of those most financially impacted by the pandemic.

Governance

This was the last year of our 2018/21 Corporate Strategy, and I am pleased to report that we achieved most of our ambitions, developing over 250 new homes and providing support to more than 4,000 people during the three years.

In 2020/21, we performed well across our key services throughout the year. Overall resident satisfaction remained strong and thousands of local people benefitted from the wellbeing, social and welfare support of our community projects.

Despite the challenge to our operating margins through increased costs and loss of income to the business caused by the restrictions of the pandemic, we remain financially strong and continue to take a prudent approach in these challenging times. We continue to develop new homes, albeit our pace of growth has slowed partly due to the Covid restrictions.

We have had one change to Board membership this year. Our Treasurer, Simon Porter, retired in September. I would like to thank Simon for his dedication and service. I also want to thank my Board colleagues for their invaluable contribution during this challenging period.

Finally, our achievements would not have been possible without the assistance of our many partners and supporters. To all of you, on behalf of Octavia, I would like to say thank you.

Sandeep Katwala
Octavia Chair

Statement from the Chief Executive

This has been a year like no other for the housing sector as we met the challenge of the Covid health emergency head-on, whilst delivering on our priorities of providing good homes, opportunities for people to lead better lives and quality, person-centred care.

Despite disruption caused by lockdown, our performance was good. Overall resident satisfaction was strong and we reached more than 3,200 people through welfare assistance, outreach and community projects. Our extra care schemes are all rated 'Good' by the CQC and we received a 94% satisfaction rating from people who use our Care and Support service.

Like many other housing providers, the development of new homes and some major projects were disrupted but working with residents, we met our targets for essential safety works and urgent and emergency repairs.

We also took our Financial Inclusion service in-house during the year, reaching more residents who were finding it difficult to meet their rent payments and delivering our best arrears performance in 20 years (at just 3.8 %).

Tacking inequality

In the summer of 2020, in response to the murder of George Floyd and a resurgent Black Lives Matter movement, we joined with our communities in supporting the need for change.

We set out our intention to become an anti-racist organisation through a number of commitments to tackle racism, inequality and social injustice in our communities, which led to initiatives for positive change. With support from the Board, we increased our understanding of the impact of our processes and policies, both within the organisation and through our services. We have taken steps to addresses the disparities identified.

We know that affordable housing plays a vital role in improving quality of life and equality of opportunity, through ensuring people are empowered, not excluded, by where they live.

There is still much work for us to do but by continuing to champion equality and inclusion through our work, we aim to build a lasting legacy for future generations.

Building back better

Inequality in our communities has been exacerbated by the health, social and economic effects of the Covid pandemic. In response, at the end of this financial year, we launched a new three-year strategy, 'Better lives for all', to focus on delivering greater equality through homes, support and opportunity, putting residents and communities at the heart of everything we do.

As we recover our services from the disruption caused by Covid, we are involving residents in transforming them in order to improve our effectiveness and increase our reach and impact in the communities we serve. Our aim is to build on our legacy of providing homes and services that connect people with opportunity and promote equality, for the common good.

Sandra Skeete
Octavia Chief Executive

Tacking inequality

better lives for all

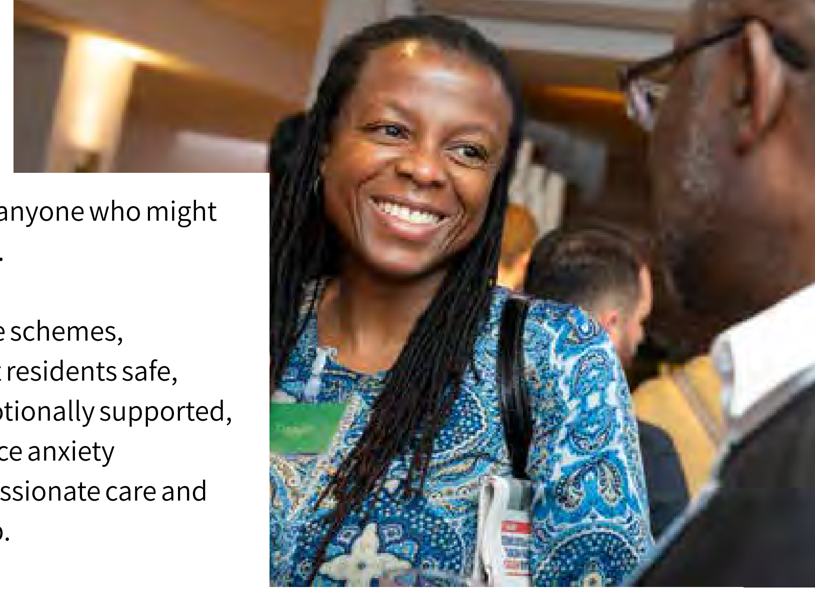
Delivering equality through homes, support and opportunity

Octavia has stayed true to its social purpose for more than 150 years as we have continued the pioneering work of our founder, the social reformer Octavia Hill.

We are for people, not profit. We provide homes, support and care for communities in central and west London. Operating in some of the most expensive parts of the capital, we work to reduce inequality and empower people, through the provision of good, affordable homes and opportunities for them to lead better lives.

2020/21 marked the final year of our 2018/21 corporate strategy and our plan to meet our objectives to supply more homes, support and care, in the communities where we operate. Work during the year was based on five key strategic aims; providing excellent services, building more homes and maintaining the quality of our homes, increasing our reach and impact, remaining financially strong and building a sustainable legacy.

We achieved our ambition in many areas, despite the need to adapt services to react to the health crisis caused by Covid. Key services performed well throughout the year, rent arrears were reduced and we reached more than 3,000 people through our community support. Our new homes programme was impacted by the restrictions of the pandemic but was back on track by the end of March, with more than 260 homes in development.



Responding to the pandemic

In all our activities throughout the year, the safety of colleagues, contractors, residents and other people who use our services remained our priority. We adapted to meet the challenge of the unprecedented situation by pivoting our business operation to help mitigate the impact of the crisis. From March 2020 our offices were closed and a remote working system for the whole organisation was in place. This operated effectively throughout the year.

The unpredictability of the pandemic caused immense uncertainty for people who rely on our services. Keeping buildings Covid-secure, while ensuring colleagues could operate safely, was paramount. Supporting people through the crisis was also a priority. We revised our community offer to target resources towards people in greatest need. We also worked with partners to reach out to people hit hardest by the social, emotional and economic effects of Covid. We provided extra welfare support for people financially affected and set up systems to ensure we remained in contact with anyone who might need extra help.

At our extra care schemes, colleagues kept residents safe, secure and emotionally supported, helping to reduce anxiety through compassionate care and companionship.

Our high street charity stores were badly affected and remained closed for most of the year. The stores reopened in April and we are developing a new strategy for our retail offer going forward.

As our services recover from lockdown restrictions, ensuring residents and people we work with remain safe and our communities have opportunities to prosper is essential. In line with our ethos and mission, we are building our services back better by focusing on those disproportionately affected by the crisis, many of whom were already disadvantaged before it began.

External environment

The Government published the Social Housing White Paper 'The charter for social housing residents' in November 2020, with the stated purpose to 'raise the standard of social housing and meet the aspirations of residents'. We are working to the spirit of the white paper in anticipation of regulatory changes that are likely to follow.

We continue to focus on the safety of all our homes as a matter of priority, as guidelines for landlords evolve in response to revised building safety legislation.

In April 2021, we launched a new three-year Corporate Strategy, setting out a refreshed ambition to continue our purpose to sustain vibrant communities by delivering equality through homes, support and opportunity.

It reinforces our commitment to move forward with our work, with emphasis on tackling inequality and putting residents at the centre of services. It is also focuses on financial strength as we optimise the impact of our work and continue to build on our legacy.

The year at a glance

Throughout 2020/21 and despite the challenge presented by Covid, we met our objectives in many areas. Here are some of the highlights from the year.

All our extra care homes rated **‘good’** by the Care Quality Commission

82% of residents satisfied with the service provided by Octavia

94% satisfaction rate for our care and support services

100% of homes with valid gas safety certificates and fire risk assessments

87% of residents satisfied with their last repair

Gold SHIFT award for commitment to environmental sustainability

103 local people supported into work / be more job ready

more than **5,200** affordable homes across ten london boroughs

3,246 people reached through welfare assistance, outreach and community projects

More than **£42,500** donated to 10 local charities through Octavia’s Better Lives Community Fund

Rent arrears reduced to **3.8%**

Our work in 2020/21

We are Octavia. We have been providing affordable homes in central and west London since 1865.

Our work in 2020/21 focused on three key areas:

- Maintaining and developing good homes
- Providing opportunities that support diverse communities and help create better lives
- Enabling people to be connected and live independently through quality, person-centred care

We are for people not profit, for the common good.

Good homes

We are committed to providing good, affordable, well-managed homes and putting residents at the centre of the services we provide.

A core part of our purpose is to deliver equality through homes, support and opportunity in the areas where we operate. Despite the challenge presented by Covid throughout the year, we delivered more affordable homes in 2021/21 and met many of our key service targets. We also adapted our service to respond to unique needs created by the pandemic, helping to mitigate the adverse effects by providing targeted support to residents who needed it.

Our performance

Our latest resident satisfaction (STAR) survey in April 2020, compares our performance against more than 300 other social landlords in London. It demonstrated high levels of satisfaction, with overall satisfaction for our services in the top quartile among tenants in general needs and older people housing. More than 80% said they were happy with our service and that their rent represented value for money and 87% said they were satisfied with their neighbourhood as a place to live.

Key performance highlights for the year include:

- 87% of residents satisfied with their neighbourhood as a place to live (2020 STAR survey)
- 82% of residents satisfied with our service (2020 STAR survey)
- 100% of our properties with valid gas safety certificates and fire risk assessments
- 87% of residents happy with their last repair
- Our Contact team answered calls in an average of 14 seconds
- Reduction in anti-social behaviour reports
- Reduction in rent arrears to 3.8%

Good homes

Figure 1 - Key performance indicators

Performance indicator	2020/21	2019/20	London HouseMark comparison
Rent arrears as % rent due	3.8%	4.1%	Upper median
Rent collection as % of rent due	100.6%	99.8%	Upper median
Void loss as % of rent due	0.5%	0.4%	Top quartile
Average voids standard re-let time in days	35	21	Lower median
Number of ASB cases per 1,000 properties	10	12	Top quartile
% residents satisfied with last repair	87%	95%	Upper median
% properties with valid landlord gas safety certificates	100%	100%	Top quartile
% fire risk assessments completed available	100%	100%	No comparative data available
Average call answering in seconds	14	15	Top quartile
Average time to respond to a complaint in days	8	9	Top quartile

Performance with re-letting general needs homes was strong post July 2020. However, not being able to let properties from April to June 2020 due to Covid restrictions, meant that year-end average re-let time was 35 days and higher than our usual performance.

Listening to residents

Whilst many of our services have performed strongly, we are always looking for ways to improve. Our robust complaints process encourages transparency and ensures that we learn from resident feedback.

In 2020/21, we received 106 formal complaints (nine fewer than in 2019/20), and the average response time was eight working days, which is within our service standard of 10 working days. Of these, 89% were resolved locally by our service managers, 12 were escalated to our independent complaints panel and two of these complaints were upheld. The Housing Ombudsman reviewed eight, and in one case found maladministration on grounds of the delays to completing a repair and the level of compensation offered. We have taken the learning from this finding very seriously, as we do with all of our complaints. We have reviewed the case and revised our Compensation Policy to reflect this finding and improve our performance in this area.

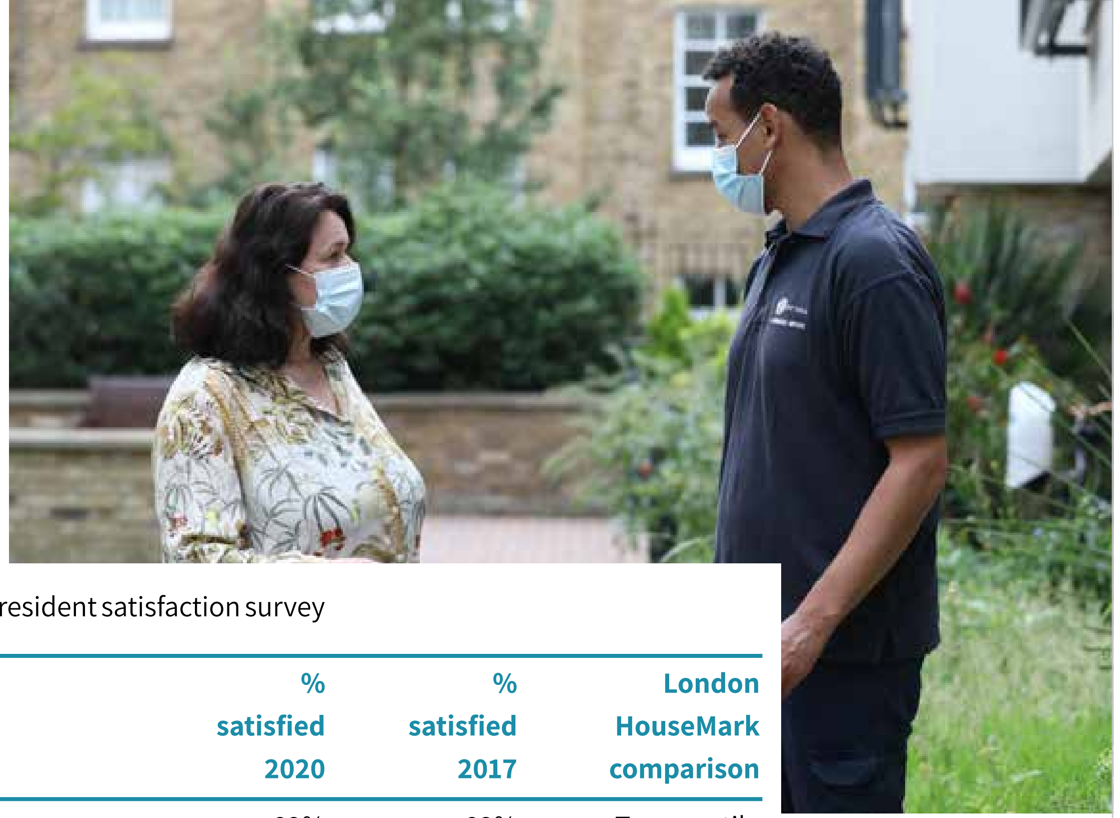


Figure 2 - 2020 HouseMark STAR resident satisfaction survey

STAR 2020 questions	% satisfied 2020	% satisfied 2017	London HouseMark comparison
Taking everything into account, how satisfied or dissatisfied are you with the service provided by Octavia?	82%	83%	Top quartile
How satisfied are you with the overall quality of your home?	81%	84%	Top quartile
Thinking specifically about the building you live in, how satisfied or dissatisfied are you that Octavia provides a home that is safe and secure?	81%	Not asked	No comparative data available
How satisfied or dissatisfied are you that Octavia is easy to deal with?	79%	Not asked	No comparative data available
How satisfied are you with your neighbourhood as a place to live?	87%	88%	Top quartile
How satisfied are you that your rent provides value for money?	82%	86%	Top quartile
How satisfied are you that your service charges provide value for money?	60%	59%	No comparative data available*
Generally, how satisfied or dissatisfied are you with the way Octavia deals with repairs and maintenance?	76%	77%	Top quartile
How satisfied or dissatisfied are you that Octavia gives you the opportunity to make your views known?	74%	Not asked	No comparative data available
How satisfied or dissatisfied are you that Octavia listens to your views and acts upon them?	70%	69%	Top quartile

*Insufficient sample size declared by HouseMark

It is important to us that residents are involved in shaping and improving our services. We value their views and feedback and ensure that their voice is heard at both strategic levels and in our service delivery. The challenges from the pandemic made it more important than ever that residents were able to hold us to account and be satisfied that our essential services were maintained.

Through a menu of accessible involvement options, we engaged with 1,328 residents by telephone and online during the year, gaining valuable insight about our services and how residents want them to improve.

Our strategic resident group, Your Voice, which reports to our Group Services Committee, played an important role in facilitating this dialogue, through assessing our service and safety performance. The group also contributed to reviews of our complaints policy, compensation policy, assignment and succession policy, and helped develop our new environmental sustainability strategy.

We spoke directly to 507 residents in two 'Call Around' events (July 2020 and March 2021), gauging their opinions on our Covid response and the development of our digital services. In response, we are expanding our digital offer, developing our resident app to include reporting repairs (launched in summer 2021) and initiating a website redevelopment (underway for 2021/2022). Residents were also involved in focus groups on the future design of services post-Covid, checking the quality of our repairs service and through 25 local service feedback events.

Involving residents and ensuring their views are listened to is at the heart of the charter of rights in the Social Housing White Paper. Our established approach to involvement is in line with this new emphasis on engagement and responding to concerns. As we build back from a challenging year impacted by Covid, we are involving residents in recovering and modernising our services. We have conducted a self-assessment against the requirements in the Social Housing White Paper in preparation for the changes to regulatory standards expected to be published by the Regulator of Social Housing later this year.

Responding to need

Keeping people safe and maintaining key services was the main priority throughout the year. We provided targeted help for vulnerable people, including residents whose income was affected by the pandemic. From April to November 2020, 162 residents received debt and benefits advice via a service provided to us by Citizens Advice. In November 2020, this was replaced with a new in-house Financial Inclusion service, which took 218 enquiries and provided benefits and debt advice to 89 residents. The two services combined achieved £396,000 of financial gains during the year. Our general needs arrears ended the year at 3.8%, which is our lowest arrears level for more than two decades.

In 2021/22, Octavia partnered with specialist agencies on two distinct Housing First schemes – one in partnership with London charities Solace Women's Aid and Standing Together, providing homes to women fleeing domestic abuse, the other partnering with St Mungo's, for street homeless people living in Westminster. We provided four homes with tailored support for individuals in acute need, who were further supported with intensive, wrap around services from specialist teams.

Repairs and safety

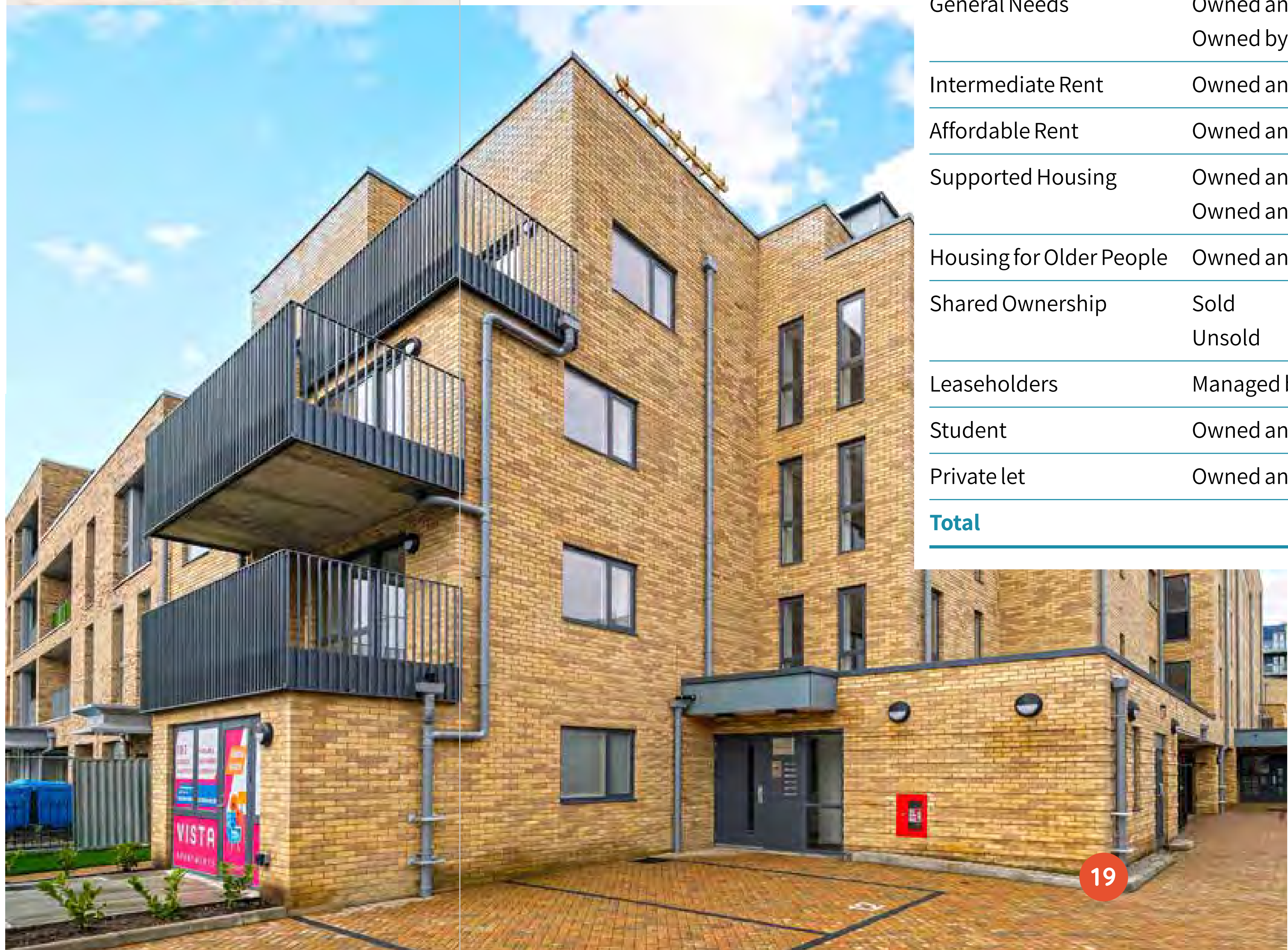
Safety of our homes is paramount and in this area performance was good. We achieved 100% compliance for gas safety checks and fire risk assessments at the end of March 2021.

Keeping homes safe and well-maintained during the enforced restrictions of the pandemic presented a considerable challenge for colleagues and our contractors. We are pleased to report that all emergency and urgent works were completed, as we met our target times throughout the year.

Due to Covid, we completed a reduced planned works programme but were able to offer a high standard of service in many areas, including:

- 160 new boilers installed
- 124 homes with external wall insulation works
- 54 homes with windows replacement

Our kitchen and bathroom replacement programme was put on hold in March 2020. This work was re-started in summer 2021.



"This flat just feels like a dream. I never imagined I would get housed in this area. I feel so lucky."

Octavia resident housed through our partnership with Solace and Standing Together

As with all Octavia office-based staff, our Contact team and repairs call centre worked remotely throughout the year. Service performance remained strong, with 37,000 calls from residents received and overall call answering targets met. We ensured residents were able to contact us when they needed to, and urgent and emergency repairs were efficiently dealt with. Our ability to maintain a high level of essential services in spite of the pandemic is reflected in resident satisfaction with our repairs service, which was at 87% at the end of March 2021. (see Figure 1)

Figure 3 - Number of Octavia homes at 31 March 2021, by tenure

Tenure	Ownership/ management	Number of homes
General Needs	Owned and managed by Octavia	3,284
	Owned by Octavia and managed by others	3
Intermediate Rent	Owned and managed by Octavia	167
Affordable Rent	Owned and managed by Octavia	469
Supported Housing	Owned and managed by Octavia	199
	Owned and managed by others	81
Housing for Older People	Owned and managed by Octavia	138
Shared Ownership	Sold	470
	Unsold	9
Leaseholders	Managed by Octavia	296
Student	Owned and managed by Octavia	125
Private let	Owned and managed by Octavia	6
Total		**5,247**

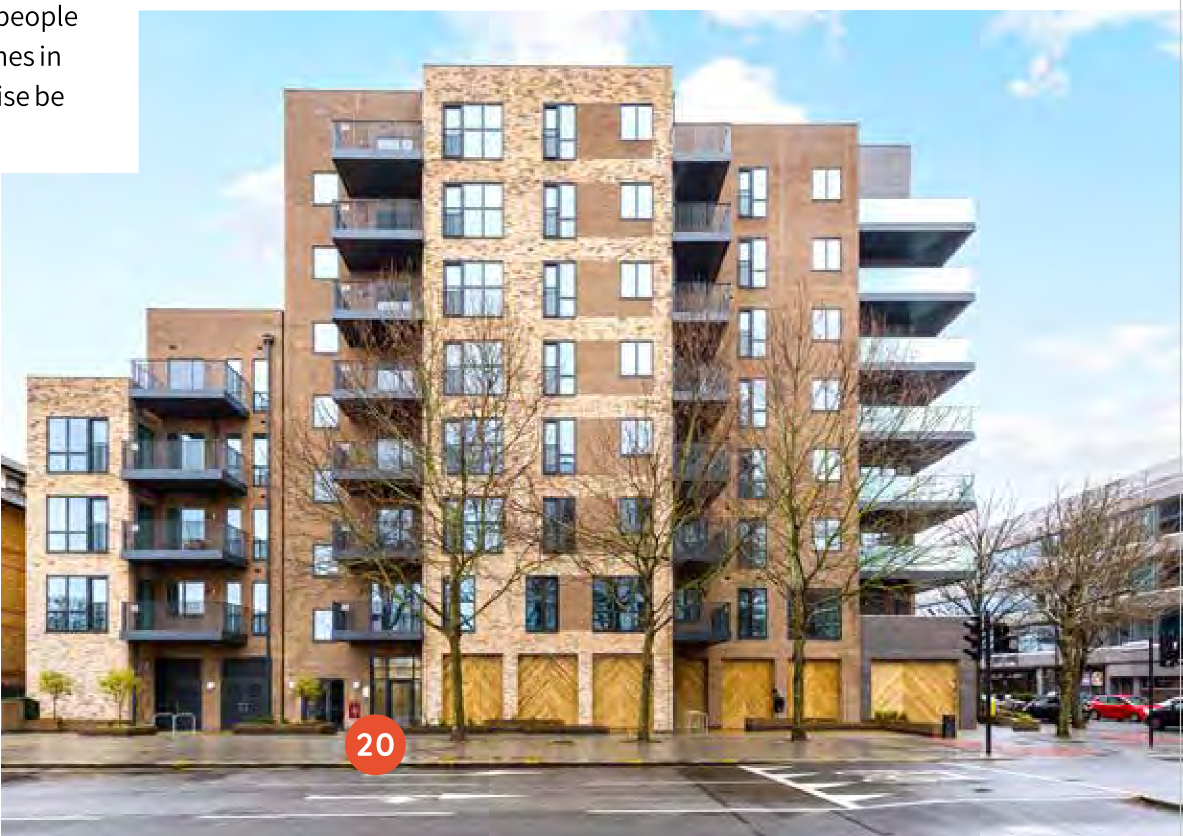
Figure 4 - Homes completed and in development in 2020/21 by local authority

	Homes			Tenure		
Local authority	**Completed 2020/2021**	**Under construction at 31/3/2021**	**Contracts agreed but not signed at 31/3/2021**	**Affordable Rent**	**Shared Ownership**	**Intermediate Rent**
Brent	-	131	22	81	72	-
Camden	-	-	-	-	-	-
Ealing	-	36	-	19	17	-
Hammersmith & Fulham	8	38	-	14	-	32
Harrow	-	80	-	60	20	-
Hounslow	-	19	-	8	11	-
Wandsworth	-	6	86	19	71	2
Westminster	16	15	-	12	4	15
Total	**24**	**325**	**108**	**213**	**195**	**49**

Our homes

Octavia has more than 5,200 affordable homes for rent and shared ownership, enabling a diverse community of Londoners to live close to where they work and have social ties. These homes offer long term security to people on lower and middle incomes in an area that would otherwise be unaffordable to them.

The considerable challenges presented by the pandemic impacted the number of homes completed this year. We developed 28 new homes during the year, 12 of them for Affordable Rent. By the end of March 2021, 325 new homes were in development, 60% of them for Affordable Rent.



Developing in partnership

Our leadership of Connected Housing Partnership, a strategic development partner with the Greater London Authority which we operate with Shepherds Bush Housing Group and Origin Housing, continued and is on track to exceed its target to deliver just over 1,400 homes by 2023.

Through another partnership with Barratt Homes and the London Borough of Harrow, in 2021/22 we committed to develop an extra care housing scheme, delivering 60 quality rented homes with care for older people. We also committed to developing a further 20 shared ownership homes in the borough through our partnership with Harrow Churches Housing Association.

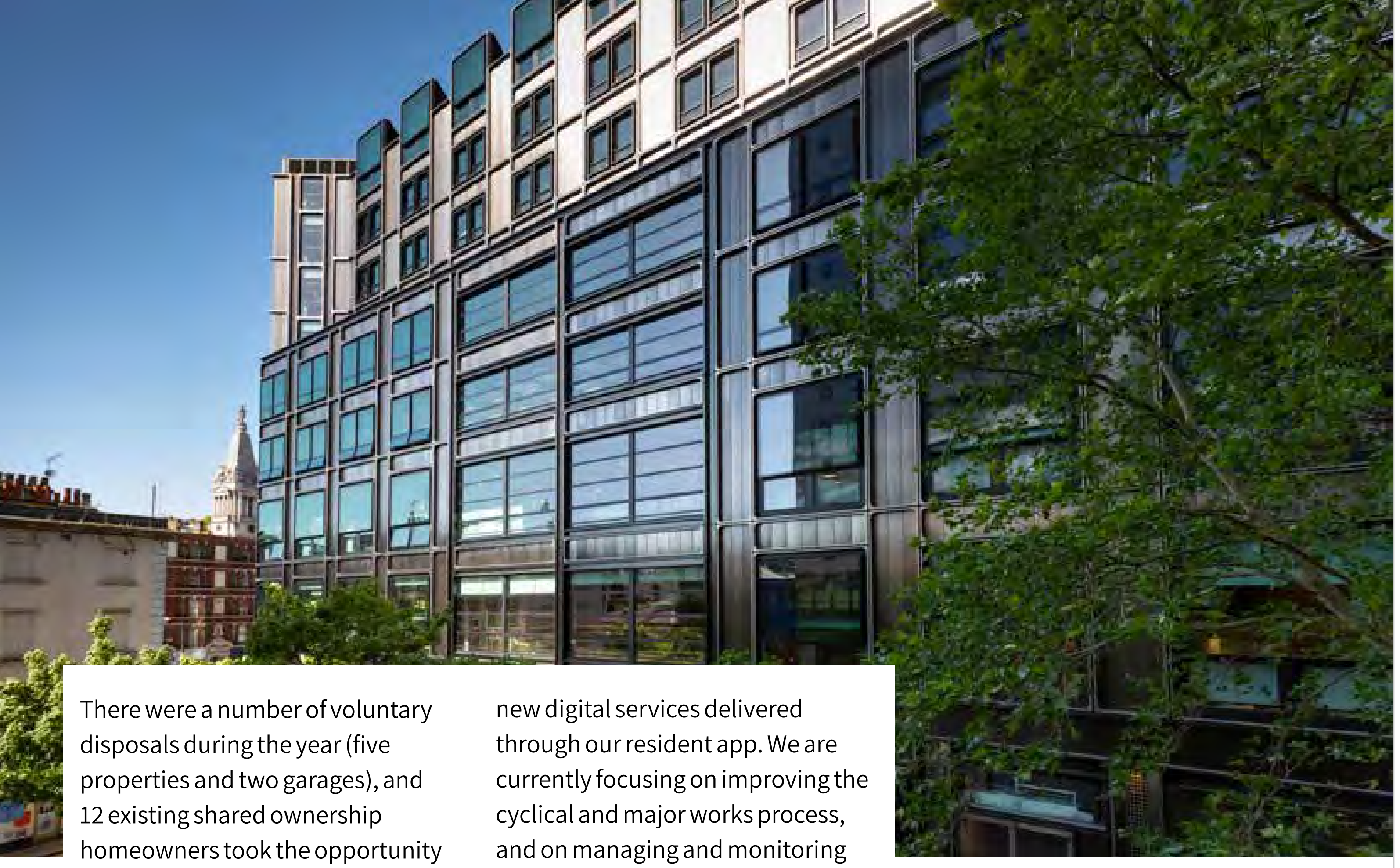
At the end of March 2021, we launched a new three-year Corporate Strategy, putting in place a plan to deliver 60 new homes a year, at least 40% of them for affordable rent.

Affordable shared ownership

Our homes for shared ownership provide opportunity for people on lower incomes to buy an affordable home in some of the most high-cost areas of the country. We sold 22 new homes for shared ownership in 2020/21, across the boroughs of Ealing (2), Hounslow (6) and Westminster (14).

The average household income of people who bought our homes in 2020/21 was just over £46,000. Shared ownership homes sales for the year generated an income of £3.86m and surplus after costs was £1.42m.

The average sales value of our homes was £707,000 for those sold in Westminster and £370,000 across the outer London boroughs of Hounslow and Ealing. Our shared ownership model enabled purchase of three-bedroom homes in Westminster for a combined mortgage, rent and service charge of less than £2,000 per month, and £1,450 per month for two bedroom homes in outer London - demonstrating affordability to those on lower incomes, when compared to outright purchase.



There were a number of voluntary disposals during the year (five properties and two garages), and 12 existing shared ownership homeowners took the opportunity to buy a greater share of their home through staircasing. In total, these sales transactions generated a surplus to Octavia of £4.417m.

We are working to improve value for money of our services to homeowners. A survey of new shared ownership homeowners indicated that our caretaking and cleaning team model continues to achieve high levels of satisfaction. We have responded to resident feedback by improving how we deal with enquiries and how we communicate over service charges. Homeowners also benefitted from new digital services delivered through our resident app. We are currently focusing on improving the cyclical and major works process, and on managing and monitoring third party services provided by managing agents.

Fire safety

We continued our fire safety works to homes, including replacing ACM cladding to one development that is more than 18m high, for which we are in receipt of government funding from the Building Safety Fund. We are replacing cladding and undertaking work to remediate a second building and planning remediation of another building below 18 metres. We identified a number of other developments that may require remediation and we are currently determining the full extent of any works required.

Additional fire safety measures, including waking watches and extra alarms in communal areas, have been installed at the buildings affected, where required. We are supporting residents of these homes and keeping them regularly updated.

Investing in sustainability

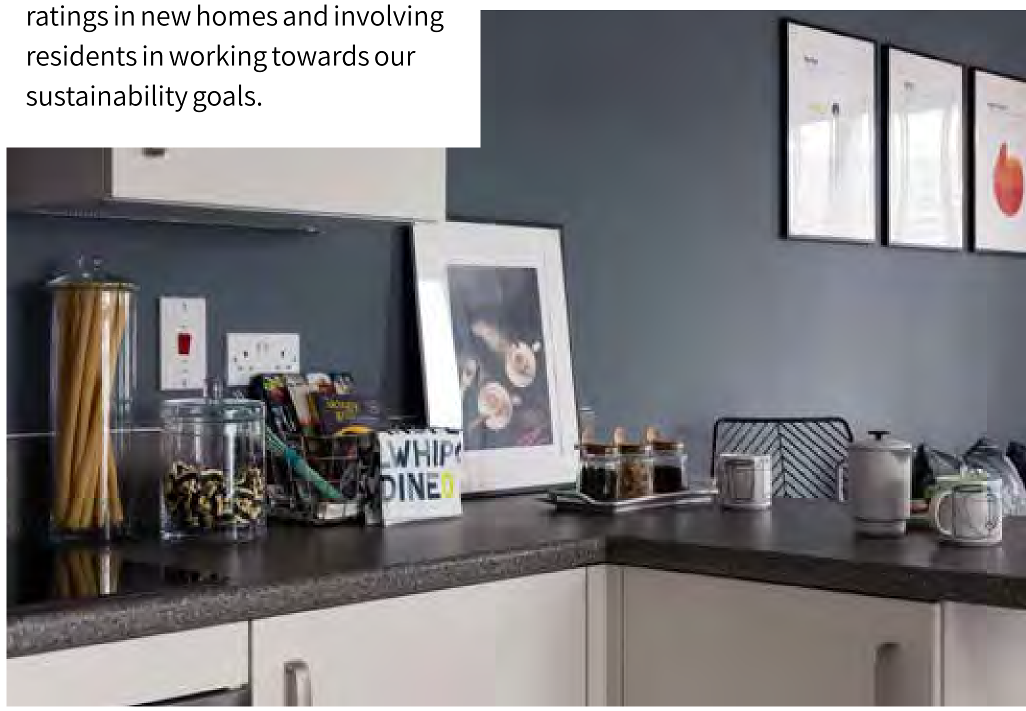
Our new Corporate Strategy (launched in April 2021) includes a firm commitment to advance our sustainability agenda and our net-zero carbon ambition. In 2020, we signed up as an early adopter of the new industry-led Sustainability Reporting Standard (SRS) for Social Housing. SRS provides a framework for housing providers to report on environmental impacts in a uniform and comparable way. The data feeds into our Environmental, Social and Corporate Governance (ESG). Our first SRS report is due in October 2021.

In spite of the disruption caused by Covid, our programme of retrofitting through adding external wall insulation to homes continued, with work to 124 homes completed. Our investment in sustainability has seen a positive increase in the average Energy Performance Certificate (EPC) ratings of our homes. At March 31, 70% of our homes were rated C or above. The EPC rating is a property's rating for energy efficiency, with A being the highest. We provided free energy-saving Green Doctor consultations to 28 residents to help reduce the energy use and cost of heating their homes.

In November 2020, we initiated a new 'Heat Manager' service to improve our service to residents with homes connected to a heat network. Through the Government led initiative, we are working with heat network specialists, Chirpy Heat, to reduce carbon emissions, improve value for money, and ensure maintenance processes to optimise the effectiveness of heat networks.

In February 2021, our performance in managing environmental sustainability was recognised in being awarded Gold SHIFT status for the third year in a row. The assessment reviews sustainability performance across the whole of an organisation, including homes, offices, new developments, supply chains and strategy and leadership. Octavia now ranks 10th out of the 40 most recent SHIFT assessments, which is a reflection of our commitment to retrofitting older homes, achieving higher EPC ratings in new homes and involving residents in working towards our sustainability goals.

Over the last year we have defined our carbon footprint and we are preparing a new Environmental Sustainability Strategy (2022-2025), which will continue to target emissions across our portfolio in preparation for net-zero carbon by 2050. We have also launched a Sustainability Champions Programme with staff which aims to embed sustainability objectives into roles across the organisation.



Vibrant communities

Our community projects help create sustainable, diverse neighbourhoods, providing equality of opportunity. We want to enable people to live well and independently, with confidence in the future and in reaching their potential.

Our vision: vibrant communities, better lives for all

These projects connect with people across all age groups, optimising our impact and reach by helping to create and sustain vibrant, thriving neighbourhoods.

In spite of the challenge of Covid throughout the year, we continued in our ambition to make a difference. The uncertainty created by pandemic highlighted the importance of this work more than ever, as people struggled with their health and wellbeing, or were financially affected.

Our face-to-face activities were suspended for most of the year, but we still met our ambition in many areas, and reached 3,246 people through welfare assistance, training, employment, outreach and befriending, and youth activities.

Our work in 2020/21 included:

- £42,581 donated to 10 local charities through Octavia's Better Lives Community Fund - 763 young people attended activities provided
- 364 people received handyperson or gardener visits
- 134 young people attended regular weekday and school holiday events
- 615 people received food vouchers and/or food parcels
- 246 people supported through our dedicated Covid community response across support and care services
- 96 people received grants for essential home items
- Helped 103 people seeking employment and training
- 293 people volunteered with us
- 878 people benefitted from outreach, befriending and activities

Supporting people during lockdown

Early in the year, we quickly adapted our services, to continue as much of our work as possible during the lockdown restrictions. We moved services to telephone and online channels to keep people connected and to reach those in greatest need, addressing wellbeing and preventing social isolation, and assisting those facing financial hardship.

We recognised the heightened isolation older, shielding and vulnerable individuals would face and took steps to reach out to both Octavia residents and other people in our communities, to ensure their wellbeing was being attended to and to offer our support.

We created a 'Covid directory' system to keep in touch with older people and worked closely with charity and local authority partners to ensure they received the assistance they needed. We carried out regular welfare checks around food provision, Covid health and additional health and wellbeing, building resilience and tackling inequalities faced by older people in accessing services. Our service model was shared with peers as an example of best practice.

We kept in regular contact with Octavia residents over 70 years old to offer practical assistance and wellbeing support. We are very grateful to partners Goodman Masson and Lexis Nexis RSG for assisting with these initiatives, which led to a number of referrals to our Outreach and Befriending services.

Tackling loneliness

Our established Better Lives Programme provides hundreds of older people every year with outreach support and one-to-one and group befriending, to help prevent social isolation and loneliness.

We switched to a telephone and online delivery model for these services before the start of the year, in anticipation of increased need due to the pandemic. Our befriending service moved to a telephone service, as a record number of local people came forward to volunteer with us. A total of 878 people benefitted from the service, 205 through one-to-one active befriending relationships.

At the end of the year we launched a report with New Philanthropy Capital (NPC) evaluating the impact of our Better Lives Programme on tackling loneliness and isolation. It revealed the programme's value in improving physical health, wellbeing and quality of life, with 40% of people using the service reporting a decrease in feelings of loneliness and 61% improved mental wellbeing. We have shared the findings with the sector and plan to build on this with further work on measuring the impact of these services.

"My time is the most valuable thing I can offer. To spend it with nice and interesting people while helping people is priceless"

Octavia volunteer befriender

We are hugely grateful to our partners and volunteers who made continuing with our community projects possible. Just under 300 people were actively engaged in volunteering with us during the year, most of them involved with our befriending programme and many joining us during the height of the pandemic. More than 20 volunteers were referred to us through our partnership with Westminster Council and 89 people were from corporate partnerships who were involved with befriending, virtual activities at our extra care schemes, and our employment and training programmes.

Employment

We supported 103 people with training and accessing new employment during the year, with 16 people helped into work. In January 2021, we signed up to the Government's Kickstart Scheme, joining a consortium of 59 organisations to create three high-quality, six-month placements for young people aged 16-24.

In March 2021, we signed up with Kensington and Chelsea borough's 'Pathways to Work' charter, pledging to work in partnership to tackle unemployment among social housing residents through increasing employability and opportunity.

Octavia's Birth of Cool project for younger people produced a series of exhibits, including a film documentary featuring the cultural and fashion history of the Kings Road in Chelsea. The film was shortlisted for industry awards.

Help from our friends

During the year, we supported 615 people with food bank referrals or food parcels and secured grants for 96 people on low incomes to purchase essential household items such as fridges, cookers or computer equipment for education, training or work. We also provided 364 older or disabled people with home handyman and gardening visits.

We are extremely grateful to the Friends of Octavia and Westminster Almshouses Foundation for supporting our discretionary grants and food bank referrals. We are also grateful to Chelsea Football Club Foundation and Dads House for providing meals and food parcels, which our Care and Outreach teams delivered to people shielding or facing hardship.

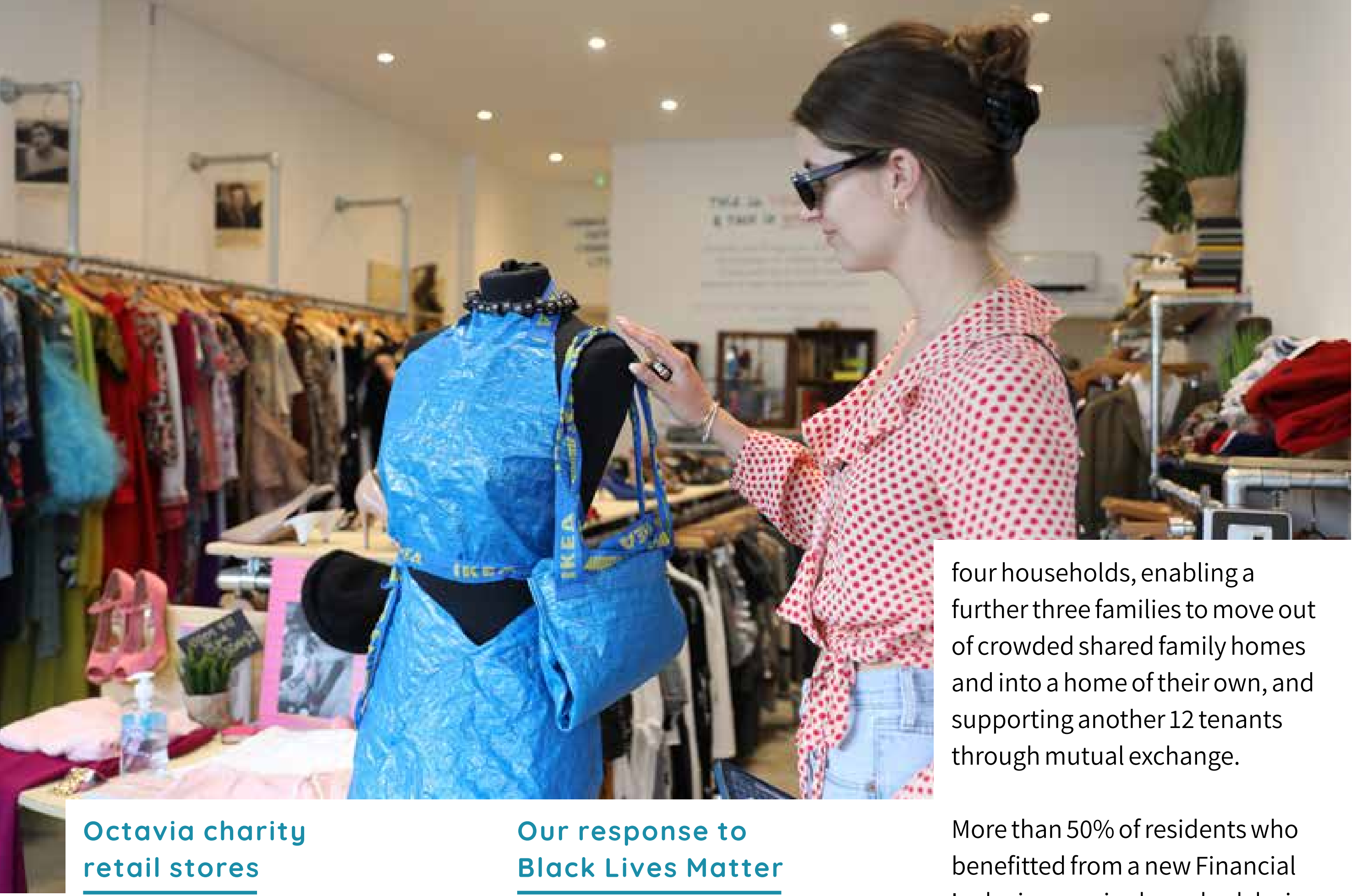
Connecting younger people

Our youth team kept 134 young people connected and creatively engaged through a mixture of after school and school holiday activities, many of them held virtually, including:

- An intergenerational 'Gen Pals' project, partnering young people with an older 'pal' to share stories over Zoom and through letters and digital art
- A video produced with Hammersmith & Fulham Child and Adolescent Mental Health Services (CAMHS), to boost confidence among young service users about returning to school after the end of lockdown
- A local project creating podcasts about the urban development in the Kensal Green area of west London

A film and digital art project funded by the National Lottery Heritage Fund, Birth of Cool, continued during the year and its creative outputs were celebrated in an online exhibition at the end of the year. A total of 32 young people, guided by adult volunteers, mentors and industry experts, were involved with the project. Nine young people went on to further education or work in the digital arts professions. Birth of Cool produced a series of installations and interactive exhibits, including two broadcast-standard films. One of the films, which documented the cultural and fashion history of the Kings Road in Chelsea, was shortlisted for industry awards.

Octavia's Better Lives Community Fund supported a further 763 younger people through grants to small local charities. Ten local charities benefitted from a total of £42,581 grant funding, with recipients given flexibility to use allocated funds to respond to needs created by the pandemic. We are very grateful to the Octavia Foundation Trustees for their support with managing the fund.



Octavia charity retail stores

The operation of our charity stores was severely hampered by the lockdown. The stores were closed for most of the year and staff furloughed. During the year we permanently closed three stores, taking the number of stores we run to 15 at the end of March 2021. All stores reopened in April 2021, with another store closing in July 2021. We are developing a strategy to transform the business for the long-term.

Our response to Black Lives Matter

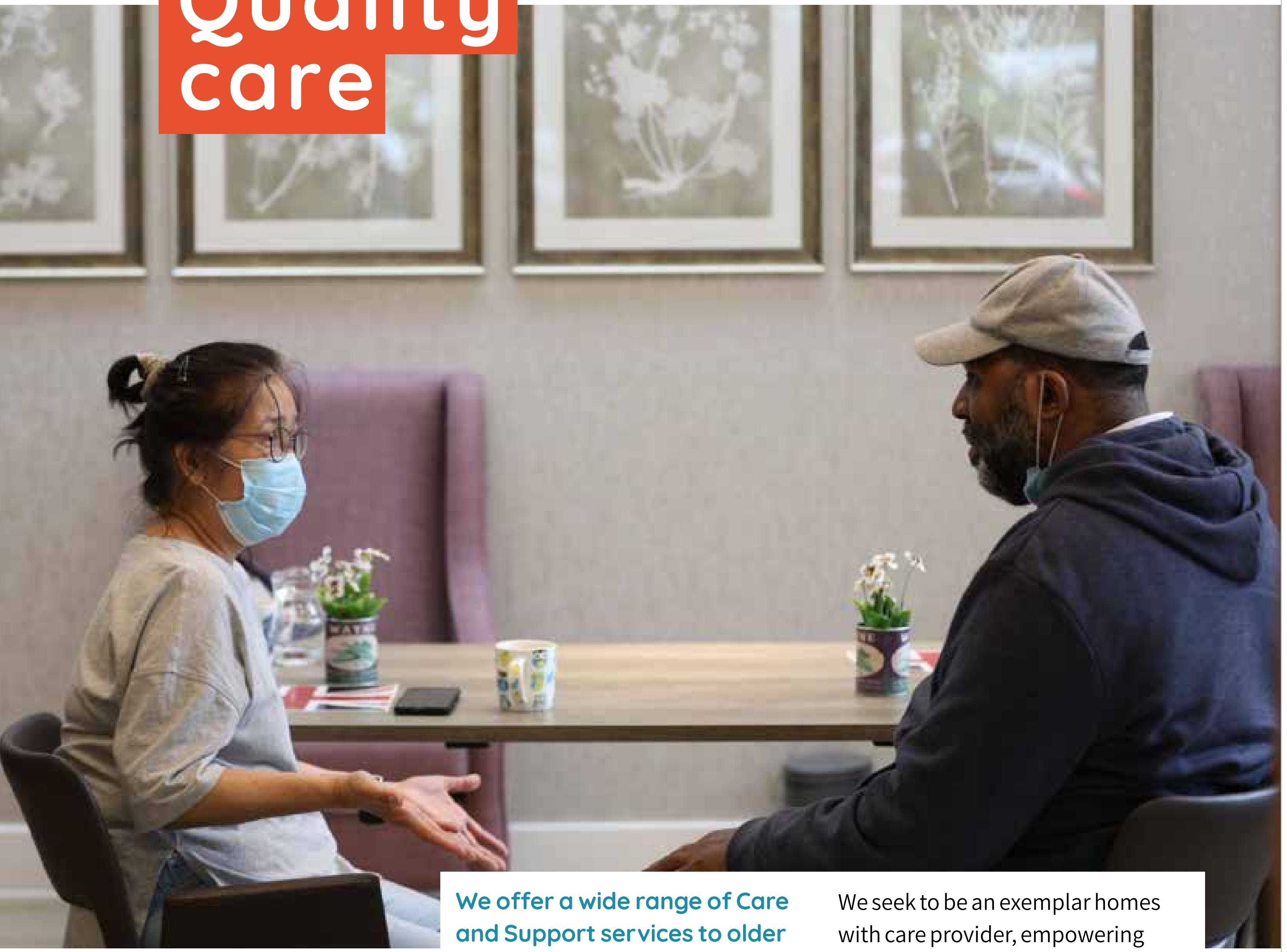
In July 2020, following the death of George Floyd, we set out a number of commitments to being an anti-racist organisation. These included identifying and understanding any disparities in how our services are delivered and received, and proactively addressing any inequality of impact. This led to a number of initiatives, including tackling disparities over residents living in overcrowded homes and targeted support for financial inclusion.

Between April 2020 and March 2021, we contacted residents living in overcrowded households and on our transfer waiting list, rehousing four households, enabling a further three families to move out of crowded shared family homes and into a home of their own, and supporting another 12 tenants through mutual exchange.

More than 50% of residents who benefitted from a new Financial Inclusion service launched during the year identified as being Black or Asian. The service provided advice and support over benefit concerns and debt, including supporting residents at risk of not being able to pay their rent. (for more information about the Financial Inclusion service, see page 18).

We believe that mixed communities are strong communities and everyone deserves the same chances in life. Our charity stores help to support our community work.

Quality care



We offer a wide range of Care and Support services to older and vulnerable adults living in our homes and in the wider community and we specialise in tailored, person-centred care that treats individuals with compassion and respect.

We seek to be an exemplar homes with care provider, empowering people to live well, stay active and deal with changes in their lives, while remaining connected with others in the communities where they live.

Our emphasis is on relationship-based care for the individual, understanding who are the important people in their lives and working with them in partnership to get the best outcomes, including improved confidence and resilience, reduced loneliness, improved health and wellbeing and a sense of belonging.

Highlights for 2020/21:

- All 7 extra care schemes rated 'Good' by the CQC
- 94% satisfaction rating from people using Care and Support
- 108 people benefitted from floating support
- 103 sheltered housing residents provided with on-site support
- 210 people took part in tailored activities
- 206 people were socially engaged with befriending
- 179 people received 3,369 hours of care per week
- 12 people able to leave hospital through our reablement units

Homes with care

Octavia has seven extra care schemes, providing 179 homes for older people in central and west London. All were rated as Good in their last Care Quality Commission (CQC) inspection, with two rated as outstanding for responsiveness. These homes offer varying levels of care, tailored to the individual needs of residents, with two of them specialising in dementia care.

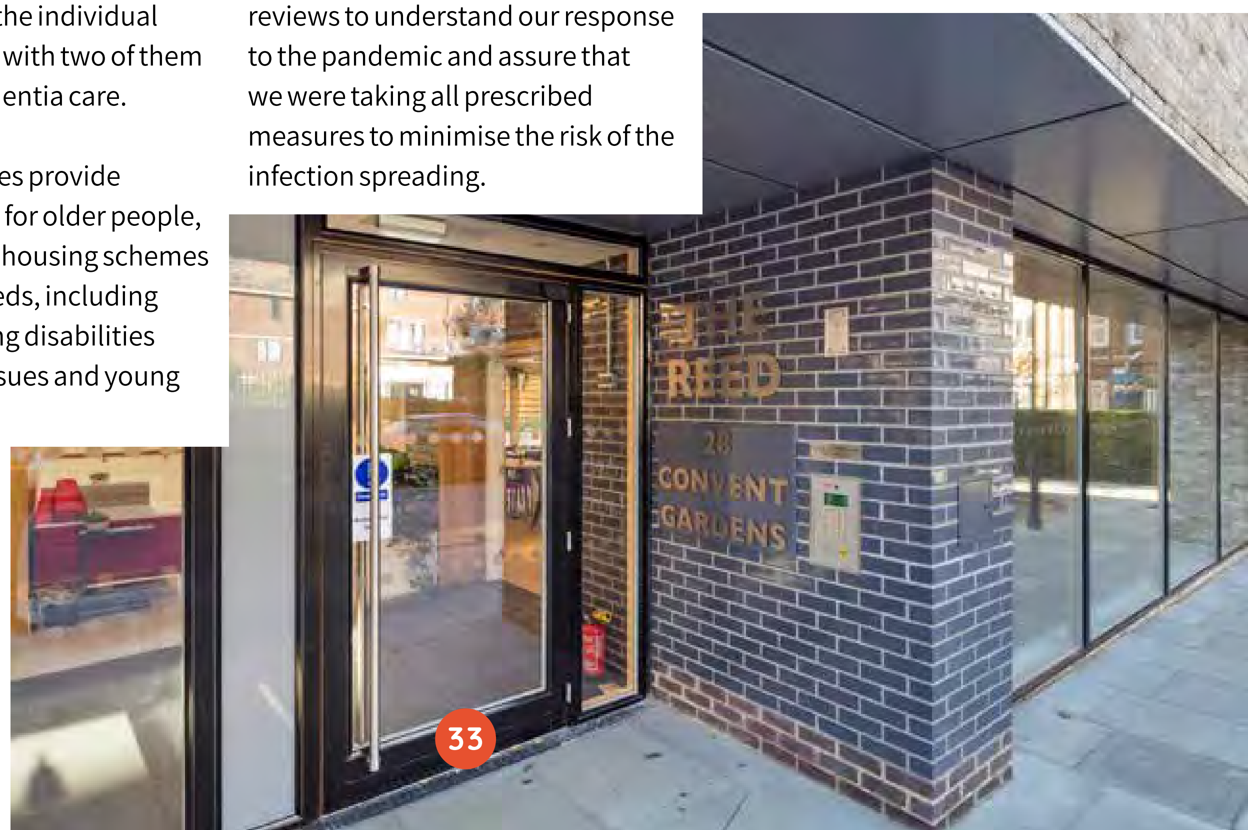
Our sheltered homes provide independent living for older people, and our supported housing schemes meet a range of needs, including people with learning disabilities or mental health issues and young people at risk.

Responding to Covid

At the beginning of the year, our older people day services and support services adapted quickly to the evolving Covid emergency. We combined our resources across our day centre service, activities, outreach and befriending to support 246 people through a dedicated Covid community response initiative.

Residents of our extra care schemes were asked to shield, in line with national rules set out by government. Throughout the lockdown, our care staff stepped up to reassure residents and keep them safe, meeting extra emotional and wellbeing needs, in addition to continuing to meet care needs. We used technology to ensure residents were able to remain in contact with family and friends and kept them engaged through socially distanced and virtual events (within the parameters of the lockdown restrictions).

We were in daily contact with local authorities and public health teams and the CQC undertook emergency reviews to understand our response to the pandemic and assure that we were taking all prescribed measures to minimise the risk of the infection spreading.



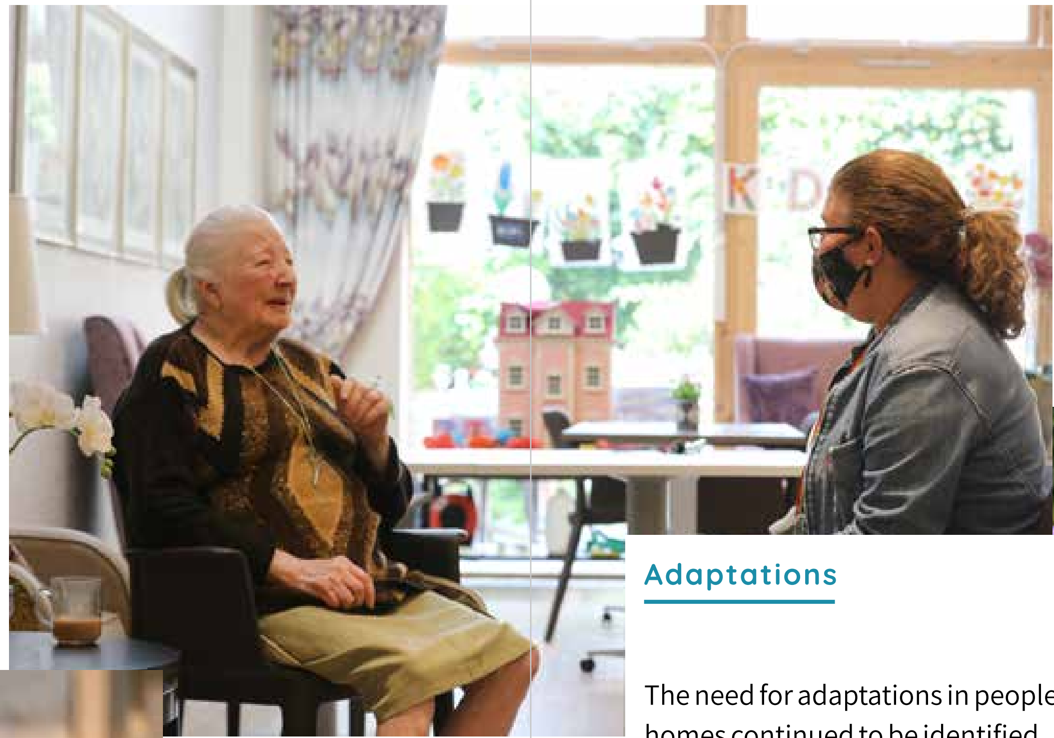
Support for colleagues

The dedication of our care colleagues was crucial to keeping residents and people who use our services safe. They followed the stringent health and safety measures required, operating at some risk to themselves, while putting the care of residents and service users first. Colleagues were supported through our staff wellbeing services and professional development and training continued via online webinars.

During the year, we secured an extension of contracts for our care services into 2022, with inflationary uplifts to meet salaries set at, or above, the London Living wage. At 31 March 2021, the majority of our Care colleagues were vaccinated against Covid, with 82% having received, or scheduled to receive, at least the first vaccine dose.

Reablement

Our valued reablement service, run from one of our extra care schemes, continued to provide short-term care to people to aid recovery after discharge from hospital. Three dedicated units, managed in partnership with Kensington and Chelsea (RBKC) Adult Social Care provided reablement to 12 people leaving hospital through temporary flexible care in a home environment. The service allows people to complete their recovery as their long-term care needs are assessed. The success of the initiative has led to RBKC commissioning two more units in 2021/22, expanding the service to five units for a further year.



“Whenever I hear the name Octavia, it brings sunshine into my life. Three of the best times in my life have been graduating with my nursing degree, receiving Maundy money from the Queen for my charity work, being introduced to the Octavia Outreach service”

Octavia outreach service user

Adaptations

The need for adaptations in people’s homes continued to be identified and responded to throughout the year, with 66 minor and 29 more extensive new adaptations carried out, in addition to 50 adaptation repairs. Processes were put in place to ensure all Covid risks could be managed.

Better lives, better endings

Our Better Lives, Better Endings project, which started in 2019 to help improve the quality of life and end of life, was hindered by Covid. However, the project team were able to provide useful assistance to staff and residents, as we experienced more people reaching the end of life whilst living in extra care. The learning from this period has further informed the project and a planned staff development programme.

People and resources

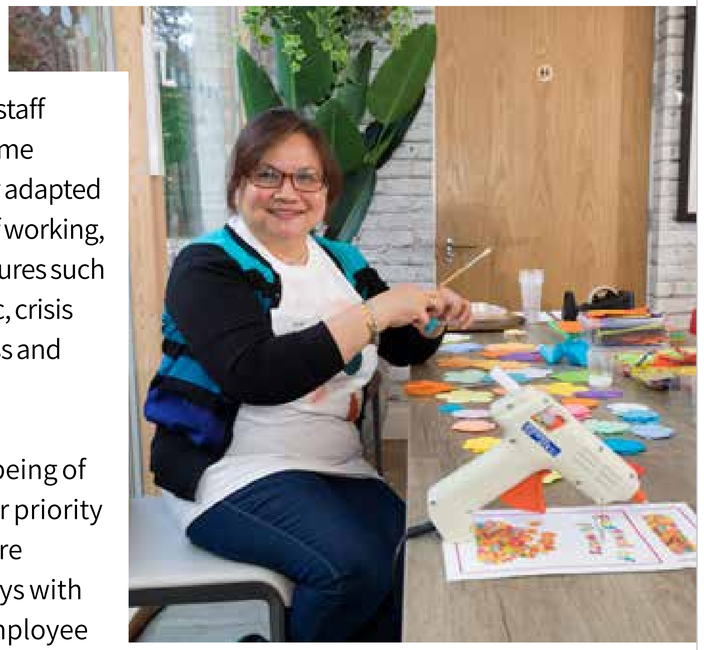
Octavia employs a diverse workforce of 435 people, 370 core employees and 65 bank staff and aims to recruit, promote, and retain the best talent. We support our staff to deliver exemplar services across all parts of the business.

The pandemic presented an unprecedented year of challenge for colleagues, both in being able to carry out their roles and personally. To meet the challenge, we adapted the working environment, pivoting our services and moving to remote working for all office-based staff.

We furloughed staff from some areas due to government imposed lockdown restrictions suspending some business activities. Colleagues in our retail stores and those in roles that were unable to operate while the social distancing restrictions remained in place were furloughed, as were those shielding.

Frontline colleagues in our support, care and housing services continued to operate in very difficult circumstances, many working differently in order to prioritise services essential to help keep everyone safe.

The majority of office-based staff worked remotely, most in home working environments. They adapted to the necessary new ways of working, while also dealing with pressures such as stress about the pandemic, crisis management, loss, loneliness and home-schooling children.



The health, safety and wellbeing of colleagues has been a major priority throughout, and people were supported in a variety of ways with wellbeing check-ins, our Employee Assistance Programme, individual risk assessments and access to mental health first aiders.

We implemented quarterly 'pulse' surveys to check-in with staff, to find out how they were feeling about the support provided. We have also involved our elected staff forum with our Covid business response and recovery planning.

Through our Black Lives Matter (BLM) Commitments, we increased our support to Black and Asian colleagues. An Equality, Diversity and Inclusion (EDI) taskforce was set up, which fed into our Board and led on data driven reviews of inequalities that impact our policies. We created 'Uplift', a Black Staff Network group. The group was designed to support our Black, Asian and other underrepresented ethnic colleagues, creating a safe space for sharing and mutual support.

We provided leadership awareness training with a specific focus on race equality. We also engaged with external networks to identify best practice and build on the capability of our leaders, along with building our ally network, to support and deliver our EDI ambitions.

Our new Corporate Strategy has a strong focus on tackling inequality through our services and within the organisation. It builds on our BLM Commitments and has fed into a relaunch of our performance framework, which provides a suite of resources for staff and managers to develop their skills. We are also working on a new learning programme, focusing on compliance and manager development.

In 2020/21 staff sickness absence was an average of 4.03 days lost, which compares positively with the industry benchmark figure of eight days. We experienced 410 days lost due to colleagues being diagnosed with Covid and 717 lost due to people self-isolating. Our staff turnover figure at 31 March 2021 was 19.4%.

Last year, all Octavia staff were paid more than the London Living Wage. This is currently being reviewed in line with the new financial year. The mean gender pay gap for 2020 was 17%, a decrease of 9% from 2019.

The remuneration process for directors is agreed by the Corporate Committee and, for the Chief Executive, by the Board. Octavia's policy is to offer fees to board members, which are periodically reviewed and externally benchmarked.

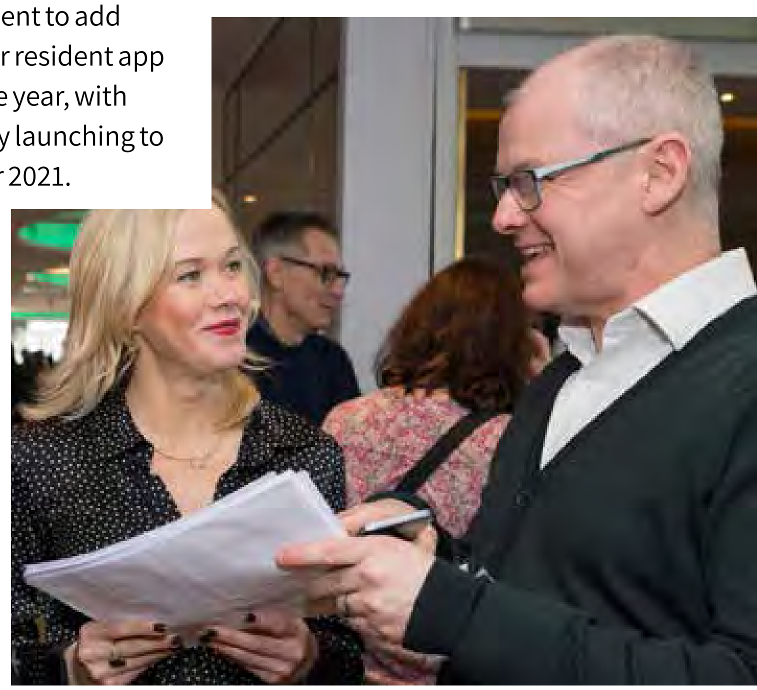
Changes were made to the organisation's structure in 2020/21 to modernise and improve our service delivery. A new Business Excellence and Innovation directorate was created to focus key internal services on harnessing data and technology to modernise and improve. Other organisational developments were designed to enable colleagues to work more effectively together, to enable the organisation to meet our new strategic priorities.

Technology

In the first weeks of the year around 200 IT devices were deployed to colleagues working remotely and Microsoft Teams video conferencing was rolled out across the organisation. At the same time the Contact service was moved to a cloud contact centre solution. A new IT service management solution was purchased and configured during the year, to enable us to better monitor and track service requests and IT assets. This launched in April 2021.

Projects aimed at modernising our operation continued. We upgraded our Microsoft CRM to the Unified Interface. In line with our data governance programme, we embarked on a corporate project to improve data management across the organisation, starting with property data. A new IT system, Semarchy, was installed to support the work of the project as an aid to monitor, cleanse and improve data quality.

Work on a development to add repairs logging to our resident app continued during the year, with the new functionality launching to residents in Summer 2021.



Risks and uncertainties

In a climate of uncertainty around the effect of Covid on our business and the wider economy, the organisation is facing a number of risks. We have been preparing for the possible impact of the UK's exit from the European Union, which still remains an issue. In addition, we are closely monitoring evolving changes to fire safety legislation and building regulations.

The Board is in the process of updating its approach to risk, with a new Risk Management Framework approved in June 2020. As part of this process, a thorough review was undertaken. We have considered the top risks that may impact our ability to achieve our strategic objectives and they can be summarised as follows:

Health and safety – Covid has created a new set of challenges, particularly in respect of the health and safety of our residents, colleagues and service users. We needed to adapt to new ways of working across all our workplaces, including our care schemes, and ensure our corporate health and safety frameworks were fit for purpose.

There continues to be a focus on fire safety.

Building safety – We continue to inspect our properties for safety concerns and remediate them as a priority. As the requirements of landlords evolve and we prepare for revised building safety legislation, we anticipate the scope of our fire safety works may change in the future. We are also monitoring the wider implications of these changes for our future sales activity. We are aware of the challenges homeowners face in re-selling their homes where fire safety certification is required. We are supporting leaseholders in pursuing funding for fire safety works and, where possible, in the recovery of costs. Our compliance with all aspects of landlord health and safety is monitored by the Estates Committee and the Board.

Economic environment – Brexit and Covid have caused a range of uncertainties in the economic environment. In particular for Octavia, we are closely monitoring changes in the UK property market, and we have stress-tested our financial plans for both a slow-down in sales and a reduction in sales prices. We are also mindful of changes in the employment market, particularly in care and support and our retail operations, as well as possible impacts on inflation, as the UK economy seeks to recover from lockdown. With interest rates currently at an all-time low, Octavia is largely protected from future major interest rate increases as a large proportion of our loan portfolio is fixed rate debt.

Charity retail operations – Our retail operations have now reopened and are outperforming our expectations. There continues to be strong demand, albeit we recognise the challenge facing retail and we cannot predict any future impact of Covid on the retail business.

Data governance and quality – As with other housing associations, the historic nature of our business makes it challenging to keep pace with changes in technology. We have a number of legacy systems in place across our IT and data processes. To mitigate this, we have embarked on a review of our data governance structures, initially focusing on property records.

As well as mitigating risks, we are continuing to exploit opportunities to build on our powerful legacy; to enable Londoners to thrive through quality homes and services that connect people and opportunity.

This includes resourcefulness in adopting new technology and new ways of working, where it can improve our services and reach. We are also looking to exploit further opportunities for partnership working, to develop more homes and provide more community support.

Finance and governance

Octavia has over 5,200 homes, many in some of the highest property value areas of the UK.

We combine our financial strength with a commitment to increase the amount of affordable homes we provide in the areas where we operate, enabling more people with lower than average incomes to continue to live close to the centre of London.

Our regulatory gradings with the Regulator of Social Housing remained at G1 (Governance) and V2 (Viability) during the financial year.

Financial results

The Octavia Group's financial performance over the last five years is illustrated in Figure 5.

In 2020/21, the operating surplus fell by 26% to £9.19m, down from £12.5m in the previous year. This was largely due to the collapse in the retail sector which removed £1m income from the Group this year. There were also delays in anticipated development handovers, and the slowdown in shared ownership property sales, the combined effect of which amounted to a further £2m less in income. The surplus is further suppressed by £2.2m of cost relating to additional Elizabeth House cladding replacement costs.

The overall surplus for 2020/21 was £1.4m, down by £7.3m from the £8.7m recorded in the previous year. This is a compound effect from the £3.3m reduction in operating surplus, an investment revaluation in 2019/20 which increased the bottom line by £3.7m, and an increased net interest cost, which was partially due to periods of non-activity at development schemes, leading to a reduction in the amount of interest that could be capitalised.

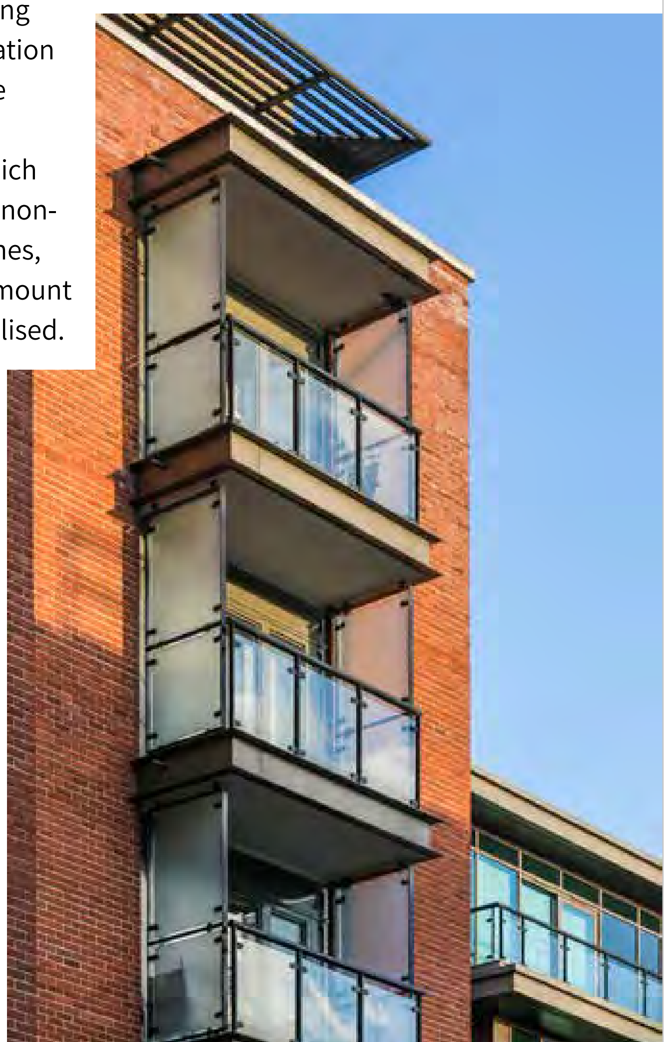


Figure 5 – Octavia Group financial performance

	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m
Turnover (excluding donations)	54.9	58.7	58.7	44.8	55.5
Cost of sales	(2.6)	(5.2)	(10.0)	(7.5)	(1.6)
Operating costs	(46.0)	(44.0)	(38.8)	(36.8)	(33.0)
Other items	2.9	3.0	2.8	12.9	1.6
Operating surplus	**9.2**	**12.5**	**12.7**	**24.1**	**11.8**
Net interest payable	(8.3)	(7.5)	(5.7)	(4.6)	(4.8)
Interest breakage costs	-	-	(0.5)	(8.0)	-
Gain on business combination	-	-	-	-	2.6
Revaluation of investments	0.4	3.7	-	-	2.5
Surplus for the year	**1.3**	**8.7**	**6.5**	**11.5**	**12.1**
Borrowings	236	222	211	190	168
Housing owned/managed (number of homes)	5,241	5,087	5,013	4,832	4,791

Figure 6 – Housing portfolio valuation

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Open market value with vacant possession	2,461	2,504	2,347	2,400	2,337
Market value subject to existing tenancies	1,312	1,269	1,200	1,127	1,095
Existing use value for social housing	604	581	541	501	466
Estimated annual market rent of General Needs social rented portfolio	90	90	91	95	85
Actual annual rent roll of General Needs social rented portfolio	25	25	24	25	25

The higher operating surplus in 2017/18 reflects a £10m donation received in the year to provide six homes for families affected by the Grenfell fire.

Property portfolio

The Group's underlying financial strength arises from the quality of its high value portfolio of social housing, which has been built up over the last 150 years. This is reflected in Jones Long LaSalle (JLL)'s independent valuation of our General Needs housing property portfolio at 31 March 2021. (see Figure 6 and note 14 of these financial statements).

This valuation indicates an average Vacant Possession value for General Needs properties of approximately £507,000 (2019/20: £525,000) and around £497,000 (2019/20: £508,000) across the whole portfolio, including shared ownership homes and supported housing.

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 envisages spending £21.9m on these works over the next four years. This includes a programme that will bring all homes up to a good energy efficiency standard by 2023.

In addition to the housing property portfolio, Octavia has commercial properties held in the balance sheet at a valuation of £14.8m based on an Open Market Value in March 2020 by JLL (these properties are revalued by external valuers on a three-year cycle). We use surpluses generated from our commercial portfolio to support non-social housing activities across the Group, particularly our investment in communities.

Social value

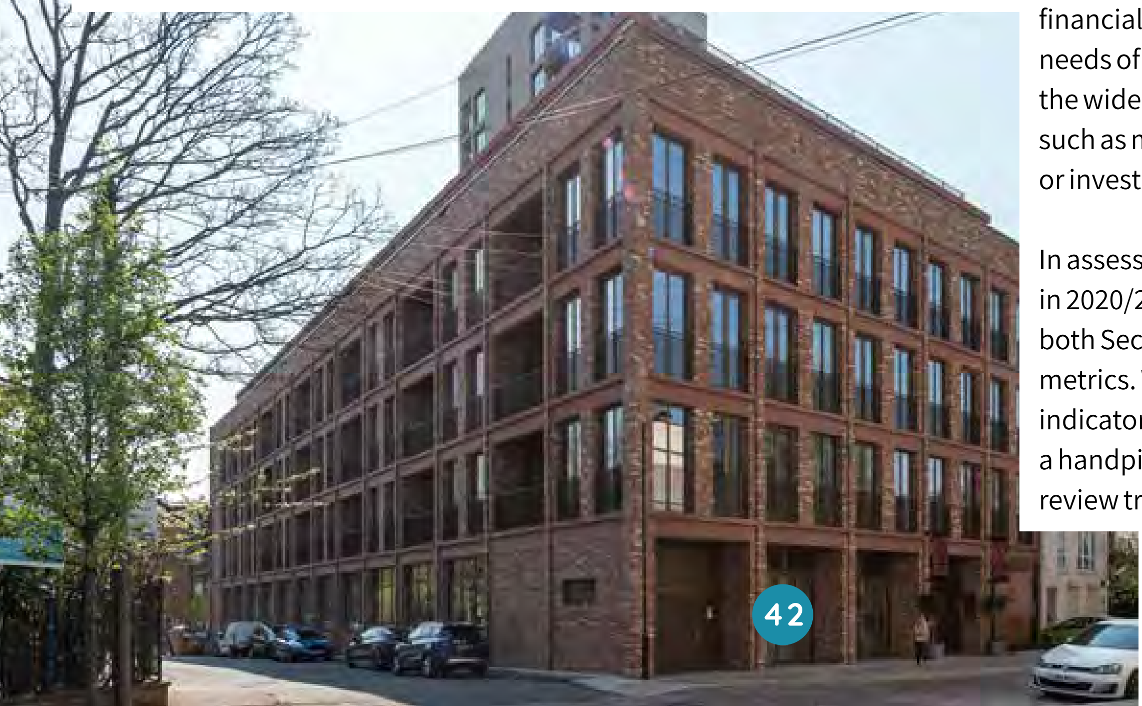
It is central to Octavia's work that we continue to provide homes in high value areas in central London at rents that are affordable to people on lower than average incomes. We set our rents at levels that enable this to be achieved. As a result, there is a significant difference between the market rents that theoretically could be charged for our property portfolio and the rents charged. JLL estimate the market rental on our General Needs portfolio to be £90m per annum against the rents actually charged in the financial year of £25m. The difference of £65m represents the social value that the local community and government receive from Octavia's properties. During the year, average rents charged on social housing properties increased from £122.51 per week to £129.81 per week. 2020/21 was the first year following the end of the Government's 1% rent reduction regime. Our average rents continue to be below the Government formula for Social Rents.

During the year, we also added another 12 new homes for Affordable Rent to our portfolio.

Under the Affordable Rent regime, rents can be charged at up to 80% of market rents but, given our concern to ensure that rented property remains affordable to those in low paid employment, we estimate that our average Affordable Rent represent less than 30% of market rent levels.

The Board aims to keep the rents at a level consistent with maintaining and developing our housing stock for General Needs properties. The level of rent that can be set is also constrained by government regulatory requirements, planning approvals and the terms of borrowing agreements and grant attached to the properties. Octavia has had the benefit of a total of £191m of grant from central government, which is invested in its current stock.

Our current rent policy is based on the Government's Formula Rent and Affordable Rent regimes, and we aim to keep Affordable Rents in line with London Living Rents. We believe that all the rents charged by Octavia represent good value for money for residents, and the results from the 2020 STAR survey indicates that this view is shared by our residents. (see Figure 2)



Value for Money

Octavia's Value for Money (VfM) Framework aims to balance our financial health with our responsibilities to residents and our social mission.

As an organisation, we aim to maximise our impact and demonstrate we are using our skills and resources effectively. Our pursuit of efficiency is not simply an exercise in cost cutting – financial health is not an end in itself, but complements and reinforces our social purpose, which is embedded within our organisation at all levels.

We take a holistic and balanced approach to VfM that supports our fundamental social purpose, and our strategic intent. The interconnected nature of our approach recognises both social and financial value and also balances the needs of our existing residents with the wider social value we deliver, such as meeting future housing need or investing in our communities.

In assessing our VfM performance in 2020/21, we have made use of both Sector Scorecard and bespoke metrics. We use benchmarking as an indicator of our performance against a handpicked group of peers and we review trends in our performance.

Octavia's Value for Money Framework aims to balance our financial health with our responsibilities to residents and our social mission.

For all peer organisations, metric scores are sourced from their 2020 financial statements.

Octavia's unique tenure composition and focus on tenants means our VfM metrics may differ from other housing associations. We own and manage more than 5,200 homes in central and west London, with a significant level of legacy stock, supported housing and housing for older people, as well as a high degree of community investment. Consequently, our peer group has been selected from organisations operating wholly or mainly in central London and the wider boroughs, with a significant level of stock made up of care and support and sheltered accommodation or housing for older people.

Octavia's social housing cost per unit (SH-CPU) has increased this year due to fire safety costs at a scheme where cladding replacement works are continuing. The median SH-CPU for our peer group was £5,876, suggesting that there are some outliers in the group and Octavia's result is above average. This also reflects the higher repair costs we incur on our heritage properties in the high-value areas we operate in, and while our overall operating margin has slightly decreased this year, our social housing operating margin has improved. In terms of community investment, our spend is amongst the top of our peer group. This, together with our commitment to care and support, impacts our overall margins compared with our peer group, while demonstrating our commitment to increasing our reach and impact.

Compared with last year, our delivery of new homes has declined. This is mainly due to slippages in the delivery of schemes and the reprofiling of uncommitted schemes because of the pandemic.

Our interest cover under the RSH definition has declined from last year and is lower than our peer group. This is due to a combination of our lower operating margins and higher interest costs, where we have taken a long-term view of our loan portfolio and recognised additional costs as a consequence of remediation works in respect of cladding. Our return on capital employed is in line with last year, and our gearing (our level of debt compared to our assets) remains one of the lowest amongst our peer group.

Figure 7 – Value for money comparison

Regulatory metrics	Octavia 2020/21 £m	Octavia 2019/20 £m	Peers 2019/20 £m
Metric 1 reinvestment	5.4%	6.0%	6.0%
Metric 2 new supply delivered (social housing)	0.5%	2.3%	1.5%
Metric 3 Gearing (RSH definition)	40.0%	37.3%	37.3%
Metric 4a EBITDA MRI interest cover (RSH)	78.4%	130.6%	145.5%
Metric 5 headline social housing cost per unit	£8,073	£7,646	£5,876
Metric 6a operation margin (social housing lettings)	25.8%	20.4%	23.7%
Metric 6b operating margin (overall)	12.2%	16.2%	23.1%
Metric 7 return on capital employed	1.7%	2.2%	2.2%
Metric 8 communities spend % of total	2.1%	2.2%	2.6%

Figure 8 – Value for money targets

Regulatory metrics	Actual 2020/21 £m	Target 2020/21 £m	Target 2021/22 £m	Target 2022/23 £m
Metric 1 reinvestment	5.4%	9.6%	12.0%	6.6%
Metric 2 new supply delivered (social housing)	0.5%	2.2%	4.0%	2.7%
Metric 3 Gearing (RSH definition)	40.0%	41.4%	44.9%	46.1%
Metric 4a EBITDA MRI interest cover (RSH)	78.4%	116.5%	139.1%	152.3%
Metric 5 headline social housing cost per unit	£8,073	£7,927	£7,990	£6,644
Metric 6a operation margin (social housing lettings)	25.8%	28.0%	24.7%	30.1%
Metric 6b operating margin (overall)	12.2%	16.0%	17.5%	22.9%
Metric 7 return on capital employed	1.7%	2.2%	2.2%	2.5%
Metric 8 communities spend % of total	2.1%	2.2%	2.6%	2.6%

Figure 8 shows the targets in our 2022 to 2051 financial plan up to 2022/23 and our progress against the 2020/21 targets. The Board approved the next iteration of our financial plan, covering 2022/51, in June 2021. However, as the Group is also undergoing a number of strategic reviews, these targets are subject to change as the reviews reach conclusions.

Our reinvestment fell below target in 2020/21, due mainly to delays to development works because of the Covid pandemic and the reprofiling of uncommitted schemes as a result. Our social housing cost per unit is higher than planned and overall margin is lower than our planned target largely because of the fire safety works mentioned above. Our community investment is marginally below target, however it still represents almost £1m invested through the Octavia Foundation. Despite these differences, return on capital employed and gearing are in line with target.

Figure 9 – Interest rate fixing by maturity

Rate fixing period	Target	At 31 March 2021	At 31 March 2020
Fixed for more than 10 years	At least 40%	84%	82%
Fixed for more than 1 year but less than 10 years	Between 10% and 30%	11%	10%
Variable/ less than one year	Less than 25%	5%	8%

Capital structure and treasury

As a Co-operative and Community Benefit Society and an exempt charity, Octavia does not have access to equity capital and so all activities and investments are financed either by accumulated surpluses, grants or through borrowings. Given the long-term nature of the investments in social housing, our borrowings also tend to be long term.

During the year gross borrowings increased from £224m to £237m as new loans were drawn to finance capital investment and working capital requirements. This included a scheduled deferred bonding finance payment of £20m in March 2021. As of 31 March 2021, headroom available on fully secured borrowing facilities was £96m, (£112m, 31 March 2020), which were available to draw immediately, taking the total Group facilities to £333m (£336m, 31 March 2020).

The Treasury Strategy is reviewed annually by the Board. The current loan facilities will enable us to complete all contractually committed development schemes.

The Board regularly monitors compliance with loan covenants. At 31 March 2021, the position in respect of the two main sets of covenants was as follows:

- Interest cover 1.40% (lowest permitted level 110%)
- Gearing 18% (highest permitted level 35% MV-ST basis)

Details of interest rate fixing by maturity at 31 March 2020 are given in Figure 9.

Due to the refinancing activities that took place in March 2019, and lower than expected floating debt drawn in the year to 31 March 2021, our proportion of fixed rate debt has largely remained the same. At the end of the year, 64% (62%, 31 March 2020) of our properties had been used to secure current facilities. The unutilised security will enable us to increase borrowings to fund additional development in order to reach our target of 60 new homes a year.

Effects of material estimates and judgements on performance

Impairment – our impairment reviews for each of our different class of housing assets reveals the current values of our existing housing stock have higher valuations compared to the historical cost, as measured in our financial statements. We also considered the current valuations of our housing stock work in progress and identified a land-led development where current valuations indicate an impairment of £272k against the carrying amount of cost to date.

Provisions – a provision of £1.074m has been recognised in the accounts in respect of additional estimated costs to be incurred on Elizabeth House cladding replacement works in 2021/22.

Valuation of freestanding financial derivatives – the implementation of FRS 102 has also required valuations of freestanding financial derivatives to be included on the balance sheet. We have used the valuations provided by the independent organisation, Chatham Financial (formerly known as JCRA). As our one freestanding financial derivative is treated as a 97% effective hedge against interest rate exposures in loan agreements, almost all changes in value are recognised through reserves rather than through income and expenditure.

Investment properties – our commercial property portfolio is valued on 31 March every three years at fair value by an independent valuer. In the intervening years a judgement of value is made by the Directors. The last external valuation was carried out in March 2020 by Jones Long LaSalle (JLL) and valued the properties at £14.8m. There has been no movement in value reported in the Statement of Comprehensive Income this financial year. The outbreak of Covid has impacted global financial markets and market activity is being impacted in many sectors. As at the valuation date, less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. The valuation of our investment properties was therefore reported on the basis of "material valuation uncertainty" and consequently a higher degree of caution should be attached to the valuation. Further details can be found at note 16 of the financial statements.

Defined benefit pension scheme – the Social Housing Pension Scheme (SHPS) is a defined benefit multi-employer pension scheme, administered by TPT Retirement Solutions (formerly The Pensions Trust). TPT has provided sufficient information in relation to our share of SHPS for the period ended 31 March 2020 to determine that exemptions from defined benefit accounting are no longer applicable. This has resulted in a net defined benefit liability being reported in the Balance Sheet, with corresponding movements through the Statement of Comprehensive Income. The valuation of the scheme assets and liabilities have been carried out by qualified actuaries. The actuarial assumptions used in these valuations, underpinning the SHPS defined benefit liabilities, are likely to change in future years, causing changes in the amounts recognised in future financial statements.

Further detail about this can be found in the attached financial statements.

Legal structure

Octavia Housing is registered as a Co-operative and Community Benefit Society with the Financial Conduct Authority and as a Private Registered Provider of social housing with the Regulator of Social Housing (RSH). As an exempt charity, Octavia enjoys the benefits of full charitable status. Octavia has four subsidiaries:

a) Octavia Living Limited, which develops homes for outright sale on housing developments led by Octavia. It also markets and manages property sales for Octavia and provides related commercial advice
b) Octavia Development Services Limited, which develops social housing for Octavia on a design and build basis and is currently dormant.
c) Octavia Foundation, a registered charity which provides community support in central and west London, often to Octavia residents.
d) Octavia Hill Limited, a subsidiary which is currently dormant.

Corporate governance

Octavia is governed by a Board which currently comprises 11 non-executives (two of whom are residents) plus the Chief Executive (these are listed on page 3 in this report). Each non-executive Board member holds one fully paid share. Octavia adopted the National Housing Federation Code of Governance 2015 during 2020/21. We fully complied with the Code.

The day-to-day operational responsibility for Octavia is delegated to our Executive team, which comprises the Chief Executive and Directors of Homes, Care and Community, Business Excellence & Innovation, Asset Management, Development and Finance.
The Board is supported by five group committees, all of which include Board members as well as independent members.

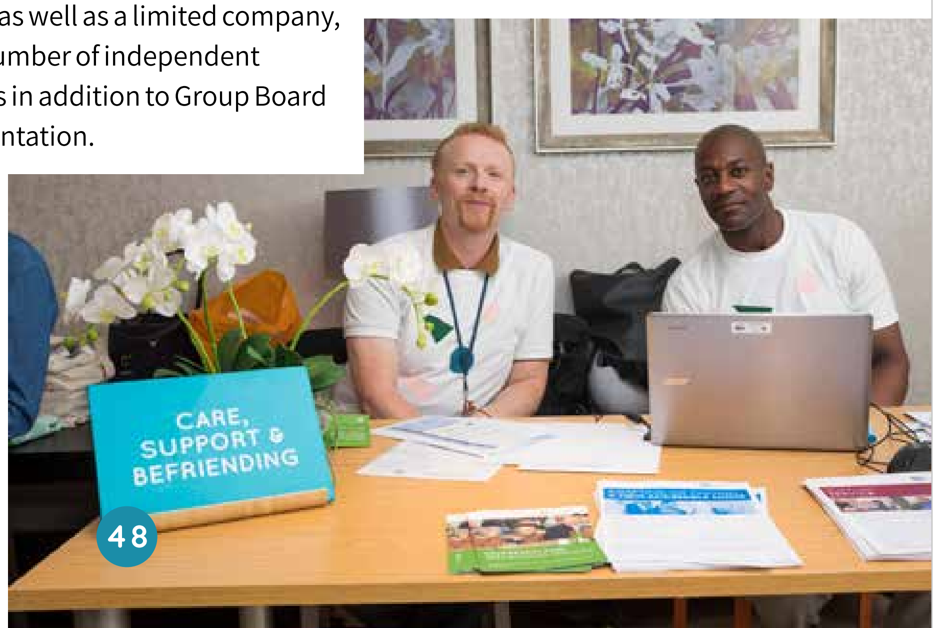
These are:

- Estates Committee – property related issues
- Services Committee – housing and care services matters, together with oversight of the communities programme, including fundraising activities undertaken via the Octavia Foundation
- Corporate Committee – Technology, People and Culture, Communications and other internal operational matters
- Finance Committee – finance and treasury matters
- Audit and Risk Committee – Audit, Internal Control and Risk Management

Group Board members and executives sit on our active subsidiary Boards. The Octavia Foundation, which is a registered charity as well as a limited company, has a number of independent trustees in addition to Group Board representation.

There was one change to the membership of the Group Board during the year:

Board Member:
Simon Porter
Retirement Date:
30 September 2020
Role:
Non-Executive Group Board Member
Chair of Finance Committee
Member of Audit & Risk Committee



Assessment of the effectiveness of internal controls

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 the Association'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, reviewed by the Board, and stress tested
- 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 Handbook 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 and Risk Committee and annually to the Board. The Audit and Risk Committee also regularly monitors the implementation of external and internal audit recommendations
- 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
- Processes and systems for appraising development projects via the Group Estates Committee, Projects Panel, Executive Team and the Group 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 whistle-blowing 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 RSH 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 annually by the Audit and Risk Committee.

Compliance with the RSH Governance and Financial Viability Standard

Following the annual stability review by RSH during 2020, Octavia's financial grade remains V2 (it was regraded from V1 in 2019). This means that Octavia continues to meet the regulator's viability requirements and has the financial capacity to deal with a reasonable range of adverse scenarios, but needs to manage material risks. A regrade in 2019 reflected the additional costs associated with our development programme, increased interest payments and costs associated with fire safety works.

Our governance rating continues to be G1, meeting the governance requirements. The Board is not aware of any reason that might affect these ratings.

The Board has considered whether the activities of the Group in the year to 31 March 2021 and to the date these accounts were signed complied in all material respects with the RSH's Governance and Viability Standard and has concluded that they did.

Regulatory compliance

As required by regulatory standards published by the RSH, a review has been conducted on the level of compliance by Octavia since 1 April 2020 with the Governance and Financial Viability Standard.

The Board has concluded that, in all material respects and to the best of our knowledge and belief, Octavia has complied with the Governance and Financial Viability Standard throughout the year and to date. There have, however, been a few minor issues which have occurred. In each case these have been reported to the Board and action has been taken to minimise the likelihood of similar events occurring in future.

Going concern

As set out in the financial statements, an assessment has been carried out by the Board into how far Octavia can be considered to remain a going concern. The Board has 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 has also noted that business planning projections indicate that Octavia should be operating comfortably within its loan covenant restrictions for that period. Accordingly, it continues to consider that it is appropriate to adopt the going concern basis in preparing this annual report and financial statements.

External review and audit

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 KPMG LLP carried out their work as external auditors.

The Board confirms that for the year ended 31 March 2021 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

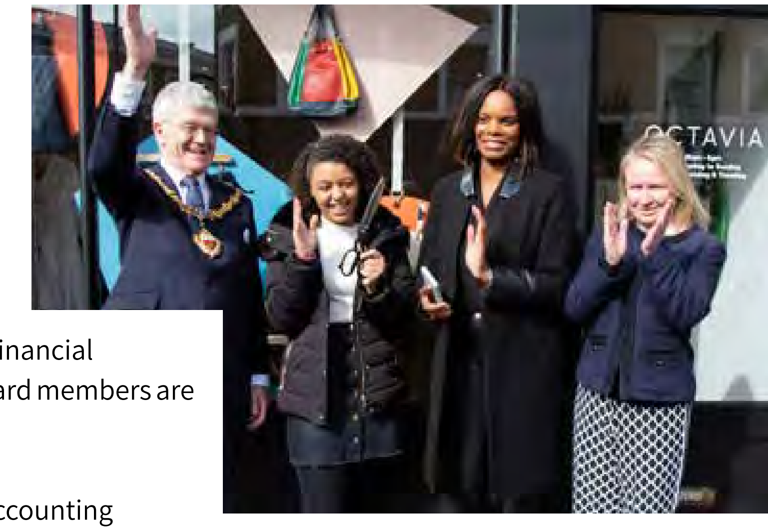
All the current Board members have taken all the steps that they consider necessary to make themselves aware of any information needed by the external auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant information that has not been made available to the external auditors.

The Board will recommend the reappointment of KPMG LLP at the forthcoming Annual General Meeting. KPMG have expressed their willingness to continue.

Sandeep Katwala
Chairman

Statement approved by the Board on 16 September 2021 , and covering the entire Annual report from pages 1 through to page 54.

Statement of Board's responsibilities in respect of the Board of Management's report and 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 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 (SORP): Accounting by Registered Social Housing Providers 2018 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

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 2019. They are also 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 SORP: Accounting by Registered Social Housing Providers 2018.

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 are 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 Octavia Housing Group

Opinion

We have audited the financial statements of Octavia Housing Group ("the Association") for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Association as at 31 March 2021 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities and are independent of the Group and the Association, in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease its operations, and as they have concluded that the Group's and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's and the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board, the Audit and Risk Committee, internal audit and inspection of policy documentation as to the Group's policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the Group's fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet loan covenants and regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from property sales is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements, including financial reporting legislation (including related co-operative & community benefit society, and taxation legislation, pensions legislation and specific disclosures required by housing legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: anti-bribery, health and safety, employment law and regulatory oversight by the Care Quality Commission recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Other information

The Group's Board is responsible for the other information, which comprises the Board's Annual Report, the Statement on Internal Controls. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

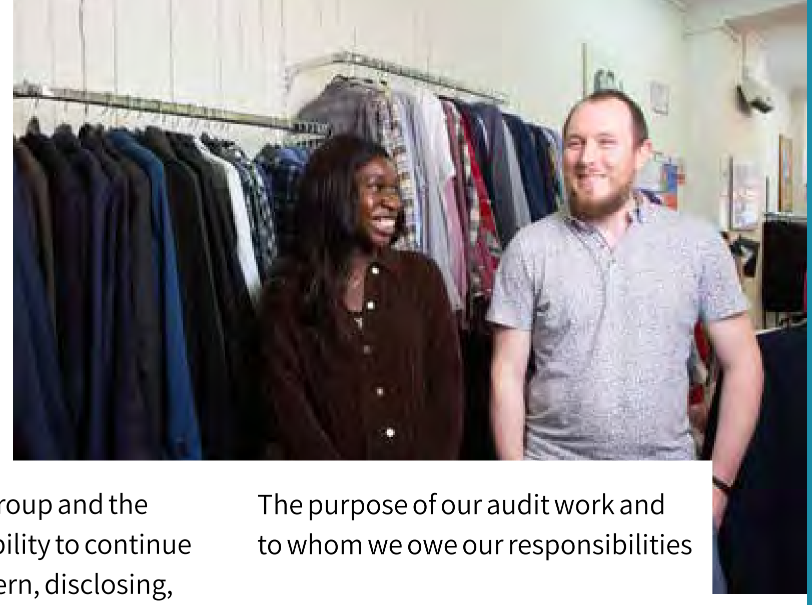
- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 53, the Association's Board is responsible for:

- the preparation of financial statements which give a true and fair view;
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- using the going concern basis of accounting, unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

27 September 2021

Accounts

Financial statementsfor the year ended 31 March 2021

Octavia Housing consolidated and association statements of comprehensive income

For the year ended 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Turnover	4	**54,907**	58,669	**54,565**	56,915
Cost of sales	4	**(2,602)**	(5,154)	**(2,734)**	(4,571)
Operating costs	4	**(46,029)**	(44,003)	**(44,125)**	(42,533)
Surplus on property disposals	11	**2,909**	2,954	**2,909**	2,954
Operating surplus	4,7	**9,185**	12,466	**10,615**	12,765
Movement in the fair value of investment properties	16	**-**	3,673	**-**	3,673
Movement in fair value of investments	17	**359**	7	**-**	-
Interest receivable and similar income	12	**57**	143	**18**	215
Interest and financing costs	13	**(8,350)**	(7,639)	**(8,350)**	(7,639)
Surplus for the year		**1,251**	8,650	**2,283**	9,014
Movement in fair value of hedged financial instrument	25	**1,693**	(1,497)	**1,693**	(1,497)
Initial recognition of multi-employer defined benefit scheme	26	**-**	-	**-**	-
Actuarial gains / (losses) on defined benefit pension plans	26	**(1,537)**	1,741	**(1,537)**	1,741
Total comprehensive income for year		**1,407**	8,894	**2,439**	9,258

All amounts are derived from continuing operations.

The notes on pages 64 to 110 form part of these financial statements.

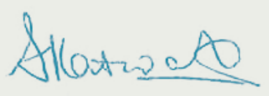
Octavia Housing consolidated and association statement of financial position

At 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Fixed assets					
Tangible fixed assets – housing properties	14	**543,089**	526,977	**532,385**	516,260
Tangible fixed assets - other	15	**11,760**	11,662	**11,760**	11,662
Investment properties	16	**14,835**	14,835	**14,835**	14,835
Investments - other	17	**1,674**	1,698	**10**	10
		571,358	555,172	**558,990**	542,767
Current assets					
Inventories including Properties for sale	18	**10,343**	9,053	**9,850**	8,766
Receivables – receivable within one year	19	**6,092**	5,623	**6,811**	5,737
Receivables – receivable after one year	19	**-**	-	**-**	-
Investments		**11,570**	106	**11,570**	106
Cash and cash equivalents		**11,571**	25,597	**11,482**	25,552
		39,576	40,379	**39,713**	40,161
Payables: amounts falling due within one year	20	**(24,581)**	(28,832)	**(24,604)**	(29,401)
Net current assets		**14,995**	11,547	**15,109**	10,760
Total assets less current liabilities		**586,353**	566,719	**574,099**	553,527
Payables: amounts falling due after more than one year	21	**(428,999)**	(412,160)	**(434,080)**	(417,335)
Net assets excluding pension liability		**157,354**	154,559	**140,019**	136,192
Pension - defined benefit liability	26	**(2,592)**	(1,204)	**(2,592)**	(1,204)
Net assets		**154,762**	153,355	**137,427**	134,988
Capital and reserves					
Called up share capital	27	**-**	-	**-**	-
Restricted reserve		**9,760**	9,850	**9,760**	9,850
Income and expenditure reserve		**148,986**	149,182	**131,651**	130,815
Cash flow hedge reserve		**(3,984)**	(5,677)	**(3,984)**	(5,677)
		154,762	153,355	**137,427**	134,988

The financial statements were approved by the Board of Directors and authorised for issue on 16 September 2021.

S Katwala Chairman



C Hughes Secretary

S Skeete Chief Executive

The notes on pages 64 to 110 form part of these financial statements.

Octavia Housing consolidated statement of changes in reserves

For the year ended 31 March 2021

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 2019	(4,180)	9,930	138,711	144,461
Surplus for the year	-	-	8,650	8,650
Movement in fair value of hedged financial instrument	(1,497)	-	-	(1,497)
Transfer between restricted and unrestricted reserves	-	(80)	80	-
Initial recognition of multi-employer defined benefit scheme	-	-	-	-
Actuarial losses on defined benefit pension plans	-	-	1,741	1,741
Balance at 31 March 2020	(5,677)	9,850	149,182	153,355
Surplus/ (deficit) for the year	-	-	1,251	1,251
Transfer between restricted and unrestricted reserves	-	(90)	90	-
Movement in fair value of hedged financial instrument	1,693	-	-	1,693
Actuarial Gains/(losses) on defined benefit pension plans	-	-	(1,537)	(1,537)
Balance at 31 March 2021	**(3,984)**	**9,760**	**148,986**	**154,762**

Octavia Housing association statement of changes in reserves

For the year ended 31 March 2021

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 2019	(4,180)	9,930	119,980	125,730
Surplus for the year	-	-	9,014	9,014
Gain on business combination (note 32)	-	-	-	-
Movement in fair value of hedged financial instrument	(1,497)	-	-	(1,497)
Transfer between restricted and unrestricted reserves	-	(80)	80	-
Initial recognition of multi-employer defined benefit scheme	-	-	-	-
Actuarial losses on defined benefit pension plans	-	-	1,741	1,741
Balance at 31 March 2020	(5,677)	9,850	130,815	134,988
Surplus/ (deficit) for the year	-	-	2,283	2,283
Transfer between restricted and unrestricted reserves	-	(90)	90	-
Movement in fair value of hedged financial instrument	1,693	-	-	1,693
Actuarial Gains/(losses) on defined benefit pension plans	-	-	(1,537)	(1,537)
Balance at 31 March 2021	**(3,984)**	**9,760**	**131,651**	**137,427**

The notes on pages 64 to 110 form part of these financial statements.

Octavia Housing consolidated statement of cash flows

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Surplus for the financial year		**1,251**	8,649
Adjustments for:			
Accelerated depreciation on components		**169**	436
Depreciation of fixed assets - housing properties	14	**7,185**	6,855
Depreciation of fixed assets – other	15	**1,114**	972
Impairment	14	**272**	478
Amortised grant	5	**(2,154)**	(1,764)
Interest payable and finance costs	13	**8,350**	7,639
Interest receivable	12	**(57)**	(150)
Movement in value of investments		**(11,929)**	(7)
Movement in the fair value of investment properties		**-**	(3,673)
Movement in trade and other debtors		**(427)**	515
Movement in stocks		**(1,290)**	30
Movement in pension creditor		**-**	(206)
Movement in grant creditors		**(1,434)**	-
Movement in trade & other creditors		**(3,154)**	(1,109)
Sales of fixed assets - cost element included in operating surplus		**1,503**	2,993
Net cash generated from operating activities		**(601)**	21,658
Cash flows from investing activities			
Purchase of fixed assets – housing properties	14	**(24,463)**	(30,755)
Purchase of fixed assets - other	15	**(1,212)**	(865)
Receipt of grant		**6,844**	13,000
Interest received	12	**57**	150
Proceeds from sale of investments		**370**	410
Net cash outflow from investing activities		**(18,404)**	(18,060)
Cash flows from financing activities			
Interest paid	13	**(9,046)**	(7,991)
Finance costs		**-**	(45)
New loans - bank	24	**-**	-
New loans - other	24	**20,003**	30,000
Repayment of loans - bank	24	**(5,978)**	(19,050)
Repayment of loans - other	24		-
Net cash generated by financing activities		**4,979**	2,914
Net Increase in cash and cash equivalents		**(14,026)**	6,512
Cash and cash equivalents at beginning of year		**25,597**	19,085
Cash and cash equivalents at end of year		**11,571**	25,597

The notes on pages 64 to 110 form part of these financial statements.

1 Legal status

Octavia Housing ("the Association") is registered in England with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. Details of its registered office are set out on page 1.

2 Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Association includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Association is a Public Benefit Entity and has used the relevant sections of FRS 102 in the preparation of these accounts. The Financial Reporting Council (FRC) published its 'Amendments to FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial review 2017: Incremental improvements and clarifications', which provides amendments effective for the period ended 31 March 2020.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The following principal accounting policies have been applied:

Basis of consolidation
The consolidated financial statements present the results of the Association and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group organisations are therefore eliminated in full. In accordance with the transitional exemption available in FRS 102, the Group chose not to retrospectively apply the standard to business combinations that occurred before the transition date of 1 April 2014.

The following principal accounting policies have been applied:

Going Concern
The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2021 by the Board.

2 Accounting policies (continued)

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid the Board has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The Board, after reviewing the Group and Association budgets for 2021/22 and the Group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan, including changes arising from the Covid pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the going concern period. In reaching this conclusion, the Board has considered the following factors:

The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and the potential ceasing of uncommitted developments;

Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases including in fire safety costs;

Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;

Liquidity – current available cash and unutilised loan facilities across the group of £95.5m gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;

The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties have also been stressed against budget and business plan.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Business combinations that are gifts
Where there is a business combination that is in substance a gift, any excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in the Statement of Comprehensive Income. This gain represents the gift of the value of one entity to another and is recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and is recognised as an expense.

2 Accounting policies (continued)

Income
Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting), including letting of commercial properties.
- First tranche sales of Low Cost Home Ownership housing properties developed for sale
- Sales of other residential property developed for sale
- Service charges receivable
- Revenue charges for supported housing as they fall due per the contract
- Proceeds from the sale of land and property
- Sales in charity shops
- Charitable donations from third parties

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from all property sales is recognised at the point of legal completion of the sale. Charity shop sales are recognised on the date of sale.

Supported housing schemes
The Group receives Supporting People fees from a number of London Boroughs in connection with the provision of supported housing. The income relating to the period as well as costs incurred by the Group in the provision of support services have been included in the Statement of Comprehensive Income. Any excess of cost over the fee received is borne by the Group where it is not recoverable from tenants.

Service charges
The Group adopts the fixed cost method for calculating and charging service charges to its tenants, but for shared owners and leaseholders the variable cost method is used. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the actual or estimated amounts chargeable respectively.

Schemes managed by agents
Income from schemes managed by agents represents rent receivable. Any management or other fees payable to agents are included in operating costs.

Charitable donations received from third parties
Charitable donations received from third parties are recognised as income once any conditions have been fulfilled.

Value Added Tax
Value Added Tax (VAT) is charged on some income and some of the VAT incurred on expenditure is recovered. The financial statements include VAT as an expense to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from chargeable and partially exempt activities and is credited to Income or Fixed Assets as appropriate.

2 Accounting policies (continued)

Finance costs
Finance costs are charged to the Statement of Comprehensive Income over the term of the loan. Issue costs are recognised as a reduction in the proceeds of the associated loan and are amortised on a straight line basis over the term of the loan. The costs of breaking fixed interest rate arrangements are charged as an expense at the date the contract is broken.

Pension costs
Contributions to the Group's defined contribution pension schemes are charged to the Statement of Comprehensive Income the year in which they become payable.

The Group participates in a defined benefit scheme, the Social Housing Pension Scheme (SHPS) managed by the Pensions Trust; this is a multi-employer scheme. For financial years ending on or after 31 March 2019, sufficient information is available for an employer in SHPS to account for its obligations on a defined benefit basis.

Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

The Group also participate in a second defined benefit scheme, the Local Government Pension Scheme (LGPS), in respect of members who were transferred across during the transfer of the management of Burgess Fields care scheme by the Royal Borough of Kensington and Chelsea.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued as at 31 March and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

Tangible fixed assets - housing properties
Housing properties constructed or acquired (including land) are stated at cost less depreciation and impairment (where applicable). The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where major components are replaced or where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through a reduction in future maintenance costs, or a subsequent extension in the life of the property.

2 Accounting policies (continued)

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in property under construction. They are recorded at the lower of cost and recoverable amount and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Completed housing properties acquired from subsidiaries are held at cost at the date of acquisition. Commercial properties within mixed developments are held as investment properties.

Depreciation of housing property
Freehold land is not depreciated on account of its indefinite useful economic life.

The portion of shared ownership property retained or expected to be retained is not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of historic cost. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

Assets in the course of construction are not depreciated until they are completed and ready for use so as to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Service chargeable components – short life	10 years
Boilers	15 years
Energy improvements	20 years
Kitchens	20 years
Bathrooms	30 years
Central heating systems	30 years
Electric	30 years
Externals	30 years
Service chargeable components – long life	30 years
Windows and doors	30 years
Roofs	50 years
Structure	100 years

Notes forming part of the financial statements

2 Accounting policies (continued)

Service chargeable components-short life - include warden call system, CCTV, hoist, door entry systems etc.

Service chargeable components-long life - include fire systems, TV aerials, communal heating, passenger lifts etc.

Externals include steps and handrail, paths etc.

Depreciation is not charged on housing assets in the year of completion but in subsequent years including the year of disposal.

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; in such cases the lease and building elements are depreciated separately over their expected useful economic lives.

Donated land and other assets
Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is donated by a public body, an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the Statement of Financial Position as a liability. Where the donation is from a non-public source, the value of the donation is included as income when the asset being financed comes into use.

Shared ownership properties and staircasing
Under low cost home ownership arrangements, the Group initially disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as Property, Plant and Equipment (PPE) and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being repaid, deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit. In addition, grant which has previously been amortised is added to the cost of sales.

Where the retained element of shared ownership accommodation generates a low level of rental income such that the Existing Use Value of the property is lower than historic cost, an additional charge is included in Cost of Sales so that the carrying value of the retained element is equivalent to Existing Use Value – Social Housing.

For those areas of maintenance to shared ownership and leasehold properties where the Group retains responsibility under the lease, it is the Group's policy to build up sinking funds so that the properties can be maintained in a sound state of repair. Maintenance of other areas (mainly internal to the property) is the responsibility of the shared owner.

Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

2 Accounting policies (continued)

Allocation of costs for mixed tenure developments
For schemes completing prior to 1 April 2018, costs are allocated to the appropriate tenure by calculating the element in relation to the land using the present value of the expected income streams.

For schemes completing since 1 April 2018, costs are allocated proportionally based upon the size of the property (i.e. size in sq metre).

Other tangible fixed assets
Other tangible fixed assets are stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation of other tangible fixed assets
Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold building
a) Office buildings are depreciated at 1.33% per annum of the cost (equiv. to 75 year useful life).
b) Other premises held for their service potential are depreciated at 2% per annum of the cost (equiv. to 50 year useful life).

Fixtures, fittings and equipment
c)Office fixtures, fittings and equipment are depreciated at 10% per annum of the cost (equiv. to 10 year useful life).
d) Computer equipment is depreciated at 25% per annum of the cost (equiv. to 4 year useful life).
e) Computer software costing more than £10,000 is depreciated at 33.3% per annum of the cost (equiv. to 3 year useful life).

Motor vehicles
f) Motor vehicles are depreciated at 25% per annum of the cost (equiv. to 4 year useful life).

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'surplus on disposal of assets' in the Statement of Comprehensive Income.

Government grants
Government capital grants received in relation to housing properties are accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with the Housing SORP 2018, the useful economic life of the housing property structure has been selected as the basis for grant recognition.

2 Accounting policies (continued)

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets, any unamortised grant remaining within liabilities is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Recycled Capital Grant Fund (RCGF)
On the occurrence of certain relevant events, primarily the sale of dwellings, the Greater London Authority (GLA) can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate RCGF fund is maintained. If unused within a three year period, it will be repayable to the GLA with interest. Any unused recycled capital grant held within the RCGF, which it is anticipated will not be used within one year, is disclosed in the Statement of Financial Position under "Trade and other payables - due after more than one year". The remainder is disclosed under "Trade and other payables - due within one year".

Investment properties
Investment properties consist of commercial properties and other properties within social housing schemes which are not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers or assessed by the Board. Valuations are based on the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

Investments in Subsidiaries
Investments in subsidiaries are measured at cost less any accumulated impairment.

Impairment of fixed assets
The housing property portfolio for the Group is assessed for indicators of impairment at each reporting date. Where impairment indicators are identified, then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations based on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned, or the present value of future cash flows to be derived from them, appropriately adjusted to account for any restrictions on their use. No properties have been valued at Value in Use.

The Group defines cash generating units as schemes, except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value, an impairment is recorded through a charge to the Statement of Comprehensive Income. The Group considers a scheme to represent the appropriate level of cash generating units when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2018.

2 Accounting policies (continued)

Inventories
Inventories represents work in progress and completed properties developed for outright sale and shared ownership properties. For shared ownership properties, the value held as inventory is the estimated cost of the element to be sold as a first tranche.

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

Receivables and payables
Receivables and payables with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment of receivables are recognised in the Statement of Comprehensive Income in other operating expenses.

Provisions for constructive obligations
Where the Group makes commitments which can be viewed as constructive obligations to incur expenditure and which can be reliably quantifiable, provisions are created at the time the commitment is made and charged as an expense in the Statement of Comprehensive Income.

Loans, investments and short term deposits
All loans, investments and short term deposits held by the Group, are classified as basic financial instruments as they meet the criteria set out in FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost using the effective interest rate.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Taxation
Current tax is recognised in respect of income or corporation tax payable in respect of the surplus for the current or prior periods at the relevant rates applicable.

Cash and cash equivalents
Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consist of cash at bank, in transit and in hand and money market and bank deposits with an original maturity of three months or less.

The Group has also identified some assets, which meet the definition of cash and cash equivalents but are restricted in their use; these assets have been classified as trade and other receivables - amounts held by lenders as security for borrowings and other debts.

2 Accounting policies (continued)

Derivative instruments and hedge accounting
The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses either the option to fix interest rates within the loan facility or stand-alone fixed rate interest rate swaps. Stand-alone interest rate swaps are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. No revaluation is made of embedded fixed rate agreements.

The Group has designated each stand-alone swap against existing drawn floating rate debt. To the extent the hedge is effective, movements in fair value adjustments, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own or counter party credit risk are recognised in income and expenditure.

Leasehold Sinking Funds
Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in trade and other payables.

Contingent liabilities
A contingent liability is recognised for

a) a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or
b) for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation; or
c) when a sufficiently reliable estimate of the amount cannot be made.

Leased assets
There being no finance leases, all leases are treated as operating leases. Their annual rentals are charged to income or expenditure on a straight-line basis over the term of the lease.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The measurement basis to determine the recoverable amount of assets has been assessed against EUV-SH or depreciated replacement cost.

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- The anticipated costs to complete on a development scheme have been based on anticipated construction cost, the effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, the recoverability of the cost of properties developed for outright sale and/or land held for sale is determined. This judgement is also based on the best estimate of sales value based on economic conditions within the area of development.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The categorisation of properties as investment properties or property, plant and equipment, based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.
- The assessment of fair value of interest rate swap agreements (see note 25).
- The categorisation of financial instruments as 'basic' or 'other'.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14 and 15)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as the current level of demand for renting such properties, void levels and values are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- Investment Properties (see note 16)

Investment properties were professionally valued at 31 March 2020 using an initial yield methodology. This uses rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and values can only ultimately be reliably tested in the market itself. Key inputs into the valuations were annual rental values being based on the rents of each property and yields being 4.0% to 7.5%. The next professional valuation is expected to take place at 31 March 2023 with the Board making judgements on valuation in between the dates.

- Rental and other trade receivables (see note 19)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on historic experience of recoverability of rental debts and on an individual debtor basis for other debts.

- Defined benefit pension scheme (see note 26)

The valuation of defined benefit pension schemes has been carried out by qualified actuaries based upon assumptions. Whilst key assumptions used in the valuation are based upon published information, variations in these assumptions have the ability to significantly influence the value of the liability recorded and the annual defined expense.

4 Particulars of turnover, cost of sales, operating cost and operating surplus

Group Year ended 31 March 2021	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	**42,836**	**-**	**(34,397)**	**-**	**8,439**
Other social housing activities					
First tranche low cost home ownership sales	**3,770**	**(2,602)**	**-**	**-**	**1,168**
Supporting people	**98**	**-**	**(261)**	**-**	**(163)**
Student Accommodation	**2,112**	**-**	**(89)**	**-**	**2,023**
Impairment	**-**	**-**	**(272)**	**-**	**(272)**
Other	**2,959**	**-**	**(7,966)**	**2,909**	**(2,098)**
	51,775	**(2,602)**	**(42,985)**	**2,909**	**9,097**
Activities other than social housing					
Market rents	**-**	**-**	**-**	**-**	**-**
Rents on investment properties	**698**	**-**	**(235)**	**-**	**463**
Outright Sales	**-**	**-**	**-**	**-**	**-**
Other	**2,434**		**(2,809)**		**(375)**
	3,132	**-**	**(3,044)**	**-**	**88**
	54,907	**(2,602)**	**(46,029)**	**2,909**	**9,185**

Group Year ended 31 March 2020	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	40,296	-	(32,079)	-	8,217
Other social housing activities					
First tranche low cost home ownership sales	7,360	(4,294)	-	-	3,066
Supporting people	98	-	(264)	-	(166)
Student accommodation	2,022	-	(457)	-	1,565
Impairment			(478)	-	(478)
Other	3,748	-	(6,525)	2,954	177
	53,524	(4,294)	(39,803)	2,954	12,381
Activities other than social housing					
Market rents	45	-	(45)	-	-
Rents on investment properties	812	-	(374)	-	438
Outright Sales	940	(860)	-	-	80
Other	3,348	-	(3,781)	-	(433)
	5,145	(860)	(4,200)	-	85
	58,669	(5,154)	(44,003)	2,954	12,466

4 Particulars of turnover, cost of sales, operating cost and operating surplus (continued)

Association Year ended 31 March 2021	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	**42,887**	**-**	**(34,383)**	**-**	**8,504**
Other social housing activities					
First tranche low cost home ownership sales	**3,770**	**(2,734)**	**-**	**-**	**1,036**
Supporting people	**98**	**-**	**(261)**	**-**	**(163)**
Student accommodation	**2,112**	**-**	**(89)**	**-**	**2,023**
Impairment	**-**	**-**	**(272)**	**-**	**(272)**
Other	**2,566**	**-**	**(6,618)**	**2,909**	**(1,143)**
	51,433	**(2,734)**	**(41,623)**	**2,909**	**9,985**
Activities other than social housing					
Market rents	-	-	-	-	-
Rents on investment properties	**698**	**-**	**(235)**	**-**	**463**
Outright Sales	-	-	-	-	-
Other	**2,434**	**-**	**(2,267)**	**-**	**167**
	3,132	**-**	**(2,502)**	**-**	**630**
	54,565	**(2,734)**	**(44,125)**	**2,909**	**10,615**

Association Year ended 31 March 2020	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	40,254	-	(32,061)	-	8,193
Other social housing activities					
First tranche low cost home ownership sales	6,581	(4,571)	-	-	2,010
Supporting people	98	-	(261)	-	(163)
Student accommodation	2,022	-	(457)	-	1,565
Impairment	-	-	(478)	-	(478)
Other	3,710	-	5,634	2,954	1,030
	52,665	(4,571)	(38,891)	2,954	12,157
Activities other than social housing					
Market rents	45	-	(45)	-	-
Rents on investment properties	857	-	(420)	-	437
Other	3,348	-	(3,177)	-	171
	4,250	-	(3,642)	-	608
	56,915	(4,571)	(42,533)	2,954	12,765

5 Income and expenditure from social housing lettings

Group	General needs £'000	Supported housing £'000	Keyworker £'000	Low cost home ownership £'000	Total 2021 £'000	Total 2020 £'000
Income						
Rents net of identifiable service charges	25,510	1,522	2,155	2,602	**31,789**	30,283
Service charge income	2,614	1,285	61	1,411	**5,371**	4,983
Amortised government grants	2,154	-	-	-	**2,154**	1,857
Net rental income*	30,278	2,807	2,216	4,013	**39,314**	37,123
Government grants taken to income	-	-	-	-	**-**	27
Donation from third parties	-	-	-	-	**-**	-
Fee income for care and support	-	3,360	-	-	**3,360**	3,085
Other Income	71	66	-	25	**162**	61
Turnover from social housing lettings	30,349	6,233	2,216	4,038	**42,836**	40,296
Expenditure						
Management	5,624	1,067	18	693	**7,402**	7,202
Service charge costs	4,677	4,301	19	1,224	**10,221**	8,266
Routine maintenance	6,295	136	125	7	**6,563**	6,274
Planned maintenance	2,114	-2	-	-	**2,112**	2,823
Major repairs expenditure	742	-	-	-	**742**	374
Bad debts	(3)	-	-	-	**(3)**	125
Depreciation of housing properties:						
- annual charge	6,455	247	489	-	**7,191**	6,579
- accelerated on disposal of components	169	-	-	-	**169**	436
Other costs	-	-	-	-	**-**	-
Operating expenditure on social housing lettings	26,073	5,749	651	1,924	**34,397**	32,079
Operating surplus on social housing lettings	4,276	484	1,565	2,114	**8,439**	8,217
* Net rental income is stated net of void losses of	276	195	13	7	491	354

5 Income and expenditure from social housing lettings (continued)

Association	General needs £'000	Supported housing £'000	Keyworker £'000	Low cost home ownership £'000	Total 2021 £'000	Total 2020 £'000
Income						
Rents net of identifiable service charges	25,471	1,522	2,155	2,602	**31,750**	30,241
Service charge income	2,614	1,285	61	1,411	**5,371**	4,983
Amortised government grants	2,244	-	-	-	**2,244**	1,857
Net rental income*	30,329	2,807	2,216	4,013	**39,365**	37,081
Government grants taken to income	-	-	-	-	**-**	27
Donation from third parties	-	-	-	-	**-**	-
Fee income for care and support	-	3,360	-	-	**3,360**	3,085
Other Income	71	66	-	25	**162**	61
Turnover from social housing lettings	30,400	6,233	2,216	4,038	**42,887**	40,254
Expenditure						
Management	5,623	1,067	18	693	**7,401**	7,197
Service charge costs	4,677	4,300	19	1,224	**10,220**	8,266
Routine maintenance	6,295	136	125	7	**6,563**	6,274
Planned maintenance	2,114	(2)	-	-	**2,112**	2,823
Major repairs expenditure	742	-	-	-	**742**	374
Bad debts	(3)	-	-	-	**(3)**	125
Depreciation of housing properties:						
- annual charge	6,443	247	489	-	**7,179**	6,566
- accelerated on disposal of components	169	-	-	-	**169**	436
Other costs	-	-	-	-	**-**	-
Operating expenditure on social housing lettings	26,060	5,748	651	1,924	**34,383**	32,061
Operating surplus on social housing lettings	**4,340**	**485**	**1,565**	**2,114**	**8,504**	**8,193**
* Net rental income is stated net of void losses of	276	195	13	7	491	354

6 Units of housing stock

	Group 2021 Number	Group 2020 Number	Association 2021 Number	Association 2020 Number
General needs housing:				
- Social	**3,287**	3,311	**3,281**	3,305
- Affordable	**469**	454	**469**	454
Low cost home ownership	**479**	487	**479**	487
Supported housing	**280**	280	**280**	280
Keyworker accommodation	**167**	135	**167**	135
Student accommodation	**125**	125	**125**	125
Housing for older people	**138**	139	**138**	139
Total social housing units	**4,945**	4,931	**4,939**	4,925
Leaseholder management	**296**	280	**296**	280
Total owned	**5,241**	5,211	**5,235**	5,205
Accommodation managed for others	**-**	-	**6**	6
Accommodation managed by others	**(85)**	(85)	**(85)**	(85)
Total managed accommodation	**5,156**	5,126	**5,156**	5,126
Units under construction	**319**	230	**319**	230

Units of housing stock – movement in stock numbers

	Group 2020 Number	Additions 2021 Number	Disposals 2021 Number	Tenure Changes 2021 Number	Other 2021 Number	Group 2021 Number
General needs housing:						
- Social	3,311	**-**	**(4)**	**(20)**	**-**	**3,287**
- Affordable	454	**12**	**-**	**3**	**-**	**469**
Low cost home ownership	487	**15**	**(6)**	**(17)**	**-**	**479**
Supported housing	280	**-**	**-**	**-**	**-**	**280**
Keyworker accommodation	135	**-**	**-**	**32**	**-**	**167**
Student accommodation	125	**-**	**-**	**-**	**-**	**125**
Housing for older people	139	**-**	**-**	**-**	**(1)**	**138**
Total social housing units	4,931	**27**	**(10)**	**(2)**	**(1)**	**4,945**
Leaseholder management	280	**9**	**-**	**2**	**5**	**296**
Total owned	5,211	**36**	**(10)**	**-**	**4**	**5,241**
Accommodation managed by others	(85)	**-**	**-**	**-**	**-**	**(85)**
Total managed accommodation	5,126	**36**	**(2)**	**-**	**4**	**5,156**
Units under construction	230					**319**

7 Operating surplus

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
This is arrived at after charging				
Depreciation of housing properties:				
- annual charge (note 14)	**7,457**	7,333	**7,445**	7,320
- accelerated depreciation on replaced components	**169**	436	**169**	436
Total depreciation of housing properties	**7,626**	7,769	**7,614**	7,756
Depreciation of other tangible fixed assets (note 15)	**1,114**	972	**1,114**	972
Operating lease charges – land & building	**842**	845	**842**	845
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	**74**	61	**66**	63
- other services	**20**	-	**4**	-

8 Employees

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**13,134**	12,506	**12,688**	11,995
Social security costs	**1,291**	1,207	**1,249**	1,154
Cost of SHPS defined benefit scheme (see note 26)	**408**	401	**408**	898
Cost of defined contribution scheme	**864**	820	**833**	780
	15,697	14,934	**15,178**	14,827

The average number of employees (including Executive Management Team) expressed as full time equivalents (calculated based on a standard working week of 35-39 hours) during the year was as follows:

	Group 2021 Number	Group 2020 Number	Association 2021 Number	Association 2020 Number
Administration	**58**	48	**58**	48
Charity shops	**33**	49	**33**	49
Marketing and sales	**3**	3	**1**	-
Development	**12**	10	**12**	10
Housing, support and care	**266**	246	**266**	246
Octavia Foundation	**10**	11	**-**	-
	382	367	**370**	353

9 Directors' and key management personnel remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team as stated on page 1.

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Executive directors' emoluments	**743**	773	**673**	703
Amounts paid to non-executive directors	**65**	65	**65**	65
Contributions to Directors' pension schemes	**57**	57	**50**	50
	865	895	**788**	818

The total amount payable to the Chief Executives, who was also the highest paid director, in respect of emoluments was £153,498 (2019-20 – £86,410 to incoming CEO and £119,688 to outgoing CEO). Pension contributions of £15,288 was made during the year (2019-20 Nil). The terms of membership of the Social Housing Pension Scheme (SHPS) for the Chief Executive are identical to those of other members.

Three other directors were members of the SHPS defined contribution pension scheme as at 31 March 2021 (2019-20, 3), and three of the directors accrued benefits under the Group's defined benefit pension scheme during the year (2019-20, 3).

The remuneration (including pension contributions) paid to staff (including Executive Management Team) earning over £60,000 was as follows:

	Group 2021 Number	Group 2020 Number	Association 2021 Number	Association 2020 Number
£60,000 - £69,999	**8**	9	**9**	9
£70,000 - £79,999	**11**	12	**11**	11
£80,000 - £89,999	**8**	6	**6**	6
£90,000 - £99,999	**1**	-	**-**	-
£100,000 - £109,999	**-**	1	**1**	1
£110,000 - £119,999	**-**	1	**1**	1
£120,000 - £129,999	**3**	3	**3**	3
£130,000 - £139,999	**-**	-	**-**	-
£160,000 - £169,999	**1**	-	**1**	-

10 Board member fees, board and committee membership

Non-executive Board members	Remun-eration £	Group Board	Finance Committee	Corporate Committee	Audit and risk Committee	Services Committee	Estates Committee	Start/leave date
Sandeep Katwala	12,000	✓						
Simon Porter	3,250	✓	✓		✓			Retired 30/09/2020
Stephen Smith	4,500	✓				✓		
Debbie Sorkin	6,500	✓				✓		
Visakha Sri Chandrasekera	6,500	✓					✓	
Rosalind Stevens	5,333	✓		✓				
John Holman	4,500	✓					✓	
Hugh Thornbery	5,667	✓		✓		✓		
Paul Williams	5,500	✓	✓		✓			
Terrence Gallagher	6,500	✓	✓		✓			
Sheila Fitzsimons	£4,500	✓		✓				

* Non-Voting

Total expenses paid to Board members in the year amounted to 111.50 (2019/20; 447).
The expenses over £50 paid to Board member were as follows;

	Group 2021 £	Group 2020 £
John Holman		95
Stephen Smith		58
Debbie Sorkin		105
Visakha Sri Chandrasekera		53
Hugh Thornbery		112
Paul Williams	111.50	
Total	111.50	423

Notes forming part of the financial statements

11 Surplus on property disposal

Group	Shared ownership 2021 £'000	Other housing properties 2021 £'000	Total 2021 £'000	Total 2020 £'000
Housing Properties				
Disposal proceeds	1,961	2,450	4,411	5,947
Cost of disposals	(1,112)	(273)	(1,385)	(2,846)
Selling costs	(4)	(54)	(58)	(77)
Grant recycled (note 23)	(33)	(26)	(59)	(70)
Surplus on disposal of fixed assets	812	2,097	2,909	2,954

Association	Shared ownership 2021 £'000	Other housing properties 2021 £'000	Total 2021 £'000	Total 2020 £'000
Housing Properties				
Disposal proceeds	1,961	2,450	4,411	5,947
Cost of disposals	(1,112)	(273)	(1,385)	(2,846)
Selling costs	(4)	(54)	(58)	(77)
Grant recycled (note 23)	(33)	(26)	(59)	(70)
Surplus on disposal of fixed assets	812	2,097	2,909	2,954

12 Interest receivable and income from investments

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Interest receivable from group undertakings	-	-	6	128
Interest receivable and similar income from third parties	57	143	12	87
	57	143	18	215

13 Interest payable and similar charges

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Interest payable on bank loans and overdrafts	**3,801**	3,658	**3,801**	3,658
Interest payable on other loans	**5,263**	4,499	**5,263**	4,499
Loan Costs Written off on Bank Loans & Overdrafts	**156**	147	**156**	147
Loan Costs Written off on Other Loans	**24**	17	**24**	17
Cost of breaking fixed interest rates	**-**	-	**-**	-
Recycled capital grant fund	**-**	9	**-**	9
Net interest on defined benefit liability	**27**	69	**27**	69
Interest capitalised on construction of housing properties	**(921)**	(760)	**(921)**	(760)
	8,350	7,639	**8,350**	7,639
Other financing costs through other comprehensive income				
(Gain)/loss on fair value of hedged derivative instru-ments	**(1,693)**	1,497	**(1,693)**	1,497
	6,657	9,163	**6,657**	9,136

14 Tangible fixed assets – housing properties

Group	Housing properties held for letting - completed £'000	Housing properties held for letting - under construction £'000	Shared ownership - completed £'000	Shared ownership - under construction £'000	Total £'000
Cost					
At 1 April 2020	490,513	14,264	78,067	13,766	596,610
Additions:					
- construction costs	-	11,404	-	9,461	20,865
- replaced components	1,307	-	-	-	1,307
- fire safety works	1,758	-	-	-	1,758
- energy improvements	1,457	-	-	-	1,457
Transfers from Stock	0	-	-	(260)	(260)
Completed schemes	3,092	(3,078)	2,204	(2,218)	-
Change of tenure	-	-	-	-	-
Disposals:					
- properties	(358)	-	(1,131)	-	(1,489)
- replaced components	(630)	-	-	-	(630)
At 31 March 2021	**497,139**	**22,590**	**79,140**	**20,749**	**619,618**
Depreciation:					
At 1 April 2020	69,123	-	-	-	69,123
Charge for the year	7,185	-	-	-	7,185
Eliminated on disposals:					
- replaced components	(461)	-	-	-	(461)
- properties	(95)	-	-	-	(95)
At 31 March 2021	**75,752**	**-**	**-**	**-**	**75,752**
Impairment:					
At 1 April 2020	-	478	32	-	510
Released in the year	-	-	(5)	-	(5)
Recognised in the year	-	272	-	-	272
At 31 March 2021	**-**	**750**	**27**	**-**	**777**
Net book value at 31 March 2021	**421,387**	**21,840**	**79,113**	**20,749**	**543,089**
Net book value at 31 March 2020	421,390	13,786	78,035	13,766	526,977

14 Tangible fixed assets – housing properties (continued)

Association	Housing properties held for letting - completed £'000	Housing properties held for letting - under construction £'000	Shared ownership - completed £'000	Shared ownership - under construction £'000	Total £'000
Cost					
At 1 April 2020	478,566	14,264	77,937	13,766	584,533
Additions:					
- construction costs	-	11,404	-	9,461	20,865
- replaced components	1,307	-	-	-	1,307
- fire safety works	1,758	-	-	-	1,758
- energy improvements	1,457	-	-	-	1,457
Transfers from Stock	-	-	-	(260)	(260)
Completed schemes	3,077	(3,077)	2,218	(2,218)	-
Change of tenure	-	-	-	-	-
Disposals:					
- properties	(358)	-	(1,131)	-	(1,489)
- replaced components	(630)	-	-	-	(630)
At 31 March 2021	**485,177**	**22,591**	**79,024**	**20,749**	**607,541**
Depreciation:					
At 1 April 2020	67,395	-	-	-	67,395
Charge for the year	7,173	-	-	-	7,173
Eliminated on disposals:					
- replaced components	(461)	-	-	-	(461)
- properties	(95)	-	-	-	(95)
At 31 March 2021	**74,012**	**-**	**-**	**-**	**74,012**
Impairment:					
At 1 April 2020	368	478	32	-	878
Released in the year	-	-	(5)	-	(5)
Recognised in the year	-	272	-	-	272
At 31 March 2021	**368**	**750**	**27**	**-**	**1,145**
Net book value at 31 March 2021	**410,797**	**21,841**	**78,997**	**20,749**	**532,385**
Net book value at 31 March 2020	411,303	13,786	77,905	13,766	516,260

14 Tangible fixed assets – housing properties (continued)

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**354,114**	363,262	**343,410**	352,270
Long leasehold	**184,488**	160,413	**184,488**	160,413
Short leasehold	**4,487**	4,552	**4,487**	4,552
	543,089	528,227	**532,385**	517,235
Interest capitalisation:				
Interest capitalisation in the year	**921**	760	**921**	760
Rate used for capitalisation	**3.80%**	3.80%	**3.80%**	3.80%
Major repairs to properties and replaced components:				
Expenditure to existing properties capitalised	**4,520**	5,059	**4,520**	5,056
Expenditure to income and expenditure account	**472**	373	**472**	373
	4,992	5,432	**4,992**	5,429
Total Social Housing Grant received or receivable to date is as follows:				
Capital Grants:				
- deferred capital grant (note 22)	**191,104**	186,695	**196,279**	191,964
- amortised to the Statement of Comprehensive Income	**34,646**	32,403	**34,646**	32,403
Recycled capital grant fund (note 23)	**425**	20	**425**	20
Capital grant not recognised but due on disposal	**5,175**	5,269	**-**	-
	231,350	224,387	**231,350**	224,387

Impairment

During the current year, the Group and Association have recognised £nil (2019/20: £nil) as an impairment loss in respect of general needs housing stock. An impairment of £272k (2019/20: £478k) was made in respect of a land-banked scheme. The intention for this site is to develop a viable scheme although the architects engaged on the development went into financial administration prior to 31 March 2021, and alternative arrangements are being made to progress the site to development.

Properties charged as security

As at 31 March 2021 2,980 (2020: 2,972) properties with a book value of £197.5mm (2020:£198.3m) were charged as security for loans made to Octavia Housing.

14 Tangible fixed assets – housing properties (continued)

Valuation

Octavia Housing commissions a desk top valuation each year of its completed housing stock from JLL so that indicative information can be included in the Report of the Board. A summary of this valuation is as follows;

	2021 £'m	2020 £'m
Open Market Value with Vacant Possession	**2,461**	2,504
Market Value subject to existing Tenancies	**1,313**	1,269
Existing Use Value for Social Housing	**602**	581
Estimated Annual Market Rent of General Needs social rented portfolio	**90**	89
Actual annual rent roll of General Needs social rented portfolio	**25**	25

15 Other tangible fixed assets

Group	Freehold buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 April 2020	10,995	94	7,230	18,319
Additions & other adj	1	-	1,211	1,212
At 31 March 2021	10,996	94	8,441	19,531
Depreciation				
At 1 April 2020	(1,514)	(94)	(5,049)	(6,657)
Charge for the year	(143)	-	(971)	(1,114)
At 31 March 2021	(1,657)	(94)	(6,020)	(7,771)
Net book value				
At 31 March 2021	**9,339**	**-**	**2,421**	**11,760**
At 31 March 2020	9,481	-	2,181	11,662

15 Other tangible fixed assets (continued)

Association	Freehold buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 April 2020	10,995	94	7,230	18,319
Additions & other adj	1	-	1,211	1,212
At 31 March 2021	10,996	94	8,441	19,531
Depreciation				
At 1 April 2020	(1,514)	(94)	(5,049)	(6,811)
Charge for the year	(143)	0	(971)	(1,114)
At 31 March 2021	(1,657)	(94)	(6,020)	(7,771)
Net book value				
At 31 March 2021	**9,339**	**-**	**2,421**	**11,760**
At 31 March 2020	9,481	-	2,181	11,662

16 Investment properties

Group and Association	2021 Total £'000	2020 Total £'000
Valuation		
At 1 April	**14,385**	11,050
Additions	**-**	112
Revaluation	**-**	3,673
At 31 March	**14,385**	14,385

The Group's investment properties comprise shops, garages and other property ancillary to its social housing portfolio. They are valued by external qualified professionals every three years at fair value and in between the three years by the Directors. The last external valuation was undertaken by Jones Lang LaSalle (JLL) at 31 March 2020 - this indicated a value of £14.8m.

The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimating uncertainty are given in note 2

16 Investment properties (continued)

The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. At the valuation date less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. The valuation was therefore reported on the basis of "material valuation uncertainty"' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

Group and Association	2021 £'000	2020 £'000
Historic cost	**6,219**	6,219
Accumulated depreciation	**(2,409)**	(2,291)
	3,810	3,928

17 Investments

The undertakings in which the Association has an interest are as follows:

Association	Country of incorporation or registration	Proportion of voting rights/ ordinary share capital held	Nature of entity	2021 and 2020 Investment carrying value £'000
Octavia Hill Limited	England	100%	Dormant Company	-
Octavia Development Services Limited	England	100%	Dormant Company	-
Octavia Foundation	England	100%	Registered Charity	-
Octavia Living Limited	England	100%	Trading Company	10
				10

Additionally the Octavia Foundation had an investment in a fund managed by CCLA which was valued at £1.67m at 31 March 2021 (2019/20: £1.68m).

During the year Octavia Foundation disposed of 0.4m of investment (2019/20: £0.4m).

18 Inventories including properties for sale

Group	First tranche shared ownership properties 2021 £'000	Outright market sales 2021 £'000	Total 2021 £'000	Total 2020 £'000
Housing Work in progress	**7,029**	**550**	**7,579**	5,049
Completed housing properties for sale	**2,764**	**-**	**2,764**	4,004
	9,793	**550**	**10,343**	9,053

Association	First tranche shared ownership properties 2021 £'000	Outright market sales 2021 £'000	Total 2021 £'000	Total 2020 £'000
Housing Work in progress	**7,086**	**-**	**7,086**	4,762
Completed housing properties for sale	**2,764**	**-**	**2,764**	4,004
	9,850	**-**	**9,850**	8,766

Properties developed for sale include capitalised interest of £0.921m (2019/20: £0.760m).

19 Trade and other receivables

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Due within one year				
Rent and service charge arrears	**1,322**	1,718	**1,322**	1,718
Less: Provision for doubtful debts	**(509)**	(654)	**(509)**	(654)
	813	1,064	**813**	1,064
Amounts owed by group undertakings	**-**	-	**781**	162
Amounts held by lenders as security for borrow-ings	**523**	524	**523**	524
Other debtors	**3,603**	3,349	**3,541**	3,301
Prepayments and accrued income	**1,153**	686	**1,153**	686
	6,092	5,623	**6,811**	5,737
Due after one year				
Amounts owed by group undertakings	**-**	-	**-**	-
Amounts held by lenders as security for borrow-ings	**-**	-	**-**	-
	-	-	**-**	-
	6,092	5,623	**6,811**	5,737

19 Trade and other receivables (continued)

Amounts owed by group undertakings includes £0.55m (2019/20: £0) in relation to a loan to Octavia Living Ltd from Octavia Housing which will mature in December 2022. The loan is given at arm's length at an interest rate of 4.65% with a non-utilisation fee of 1.65% and expected to be fully repaid in current year.

The remaining amount held by lenders for borrowing of £0.5m relates to one year's interest on the AHF loan, which is held by AHF in a liquidity reserve fund.

20 Payables: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Capital creditors	**1,711**	4,321	**1,711**	4,321
Loans and borrowings (note 24)	**859**	996	**859**	996
Accruals and deferred income (incl Holiday pay)	**1,992**	1,871	**1,916**	1,842
Deferred capital grant (note 22)	**2,199**	2,209	**2,293**	2,303
Other creditors	**1,122**	1,548	**1,127**	1,498
Trade creditors	**390**	459	**390**	459
Rent and service charges received in advance	**1,786**	1,707	**1,786**	1,707
Accrued interest	**1,818**	1,800	**1,818**	1,800
Leasehold Repairs funds	**1,283**	1,108	**1,283**	1,108
Taxation and social security	**469**	432	**469**	427
Recycled capital grant fund (Note 23)	**-**	-	**-**	-
Social Housing Grant	**10,944**	12,373	**10,944**	12,373
Amount owed to group undertaking	**-**	-	**-**	559
Pension schemes	**8**	8	**8**	8
	24,581	28,832	**24,604**	29,401

21 Trade and other payables: amounts falling due after more than one year

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Loans and borrowings (note 24)	**235,291**	221,129	**235,291**	221,129
Interest rate swap – cash flow hedge	**4,024**	5,717	**4,024**	5,717
Deferred capital grant (note 22)	**188,904**	184,486	**193,985**	189,661
Recycled capital grant fund (note 23)	**425**	20	**425**	20
Pension schemes	**30**	30	**30**	30
Other Payables	**325**	778	**325**	778
	428,999	412,160	**434,080**	417,335

22 Deferred capital grant

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
At 1 April	**186,695**	186,523	**191,964**	191,886
Grants received during the year	**6,903**	1,003	**6,903**	1,003
Grants transferred from/(to) RCGF	**(403)**	1,378	**(403)**	1,378
Released to income during the year	**(2,244)**		**(2,244)**	
Other adjustments	**153**	(2,209)	**59**	(2,303)
At 31 March	**191,104**	186,695	**196,279**	191,964

Deferred capital grant of £2.2m (2019/20 - £2.2m) is due within one year, the amount due after one year is £188.9m (2019/20 - £184.5m).

23 Recycled capital grant

Group and Association **Funds pertaining to activities within areas covered by**	GLA 2021 £'000	GLA 2020 £'000
At 1 April	**20**	1,389
Inputs to fund		
Grant recycled from deferred capital grants	**344**	684
Grant recycled from Statement of Comprehensive Income	**59**	70
Interest accrued	**2**	9
Recycling of grant		
New build	**-**	(2,132)
At 31 March	**425**	20
Repayment may be required where amounts are 3 years or older	**-**	-

The recycled capital grant fund due within 1 year is £2.2m (2020: £0.0m), the amount due after one year is £188.9m (2020: £0.0m).

24 Loans and borrowing

Maturity of debt:

Group and Association	Capital markets 2021 £'000	Bank loans 2021 £'000	Total 2021 £'000
In one year or less, or on demand	9	851	860
In more than one year but not more than two years	10	1,010	1,020
In more than two years but not more than five years	37	8,158	8,195
More than five years - by instalment	547	53,215	53,762
More than five years - by bullet	167,323	4,991	172,314
	167,926	68,225	236,151

Group and Association	Capital markets 2020 £'000	Bank loans 2020 £'000	Total 2020 £'000
In one year or less, or on demand	8	988	996
In more than one year but not more than two years	9	847	856
In more than two years but not more than five years	33	10,334	10,367
More than five years - by instalment	560	62,034	62,594
More than five years - by bullet	147,312	-	147,312
	147,922	74,203	222,125

Notes forming part of the financial statements

24 Loans and borrowing (continued)

Net debt reconciliation:

Group	At 1 April 2020 £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2021 £'000
Cash at bank and in hand	25,599	(2,456)	-	23,143
Bank loans	222,125	14,025	-	236,150
Net debt	247,724	11,569	-	259,293

Association	At 1 April 2020 £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2021 £'000
Cash at bank and in hand	25,552	(2,500)	-	23,052
Bank loans	222,125	14,025	-	236,150
Net debt	253,394	11,525	-	259,202

During 2018/19 the Association undertook a major refinancing exercise and put in place £150m of long dated fixed interest rate loans.

Loans are secured by specific charges on the housing properties of the Group and cash deposited in sinking funds managed by Affordable Housing Finance plc. Loans bear interest at fixed rates ranging between 1.2975% and 12.435% or at variable rates calculated at a margin over the London Inter Bank Offer Rate.

At 31 March 2021 the Association had undrawn, secured and available loan facilities of £95.5m (2019/20 Group £112.1m).

25 Financial instruments

The Group's and Association's financial instruments may be analysed as follows:

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Financial assets				
Financial investments measured at fair value	**1,674**	1,688	-	-
Total financial assets	**1,674**	1,688	-	-
Financial liabilities				
Derivative financial instruments designated as hedges of variable interest rate risk	**4,024**	5,717	**4,024**	5,717
Total financial liabilities	**4,024**	5,717	**4,024**	5,717

Financial assets measured at fair value comprise fixed asset investments. Financial liability measured at fair value comprise derivative financial instruments designated as hedges of variable interest rate risk.

Hedge of variable interest rate risk arising from bank loan liabilities
To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Group has entered into a stand-alone floating to fixed interest rate swap with a nominal value of £12m with the similar term as certain underlying variable rate loans and with interest re-pricing dates similar to those of the variable rate loans. These result in the group paying 3.392% and receiving LIBOR (though cash flows are settled on a net basis) and effectively fixing the total interest cost on loans and the interest rates swap at 3.667% per annum.

25 Financial instruments (continued)

The derivative is accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a negative fair value of £4.0m (2019/20: £5.7m) at the balance sheet date. The cash flows arising from the interest rate swaps will continue until their maturity in November 2037. The change in fair value in the period was a credit of £1.7m (2019/20 was a charge: £1.5m) with almost all the entire credit being recognised in Other Comprehensive Income as the swap is a 99% effective hedge, as follows:

Association and Group	2021 £'000	2020 £'000
Negative Fair value at 1 April	**(5,677)**	(4,180)
Change in fair value charged to statement of Comprehensive Income	**-**	-
Change in fair value charged to cash flow hedge reserve (note 13)	**1,693**	(1,497)
Negative Fair value at 31 March	**(3,984)**	(5,677)

26 Pensions

Several pension schemes are operated by the Group:

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1.5bn. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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

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

26 Pensions (continued)

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

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

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2021 £'000	1 April 2020 £'000
Present value of defined benefit obligation	13,798	11,630
Fair value of plan assets	(11,469)	(10,426)
Defined benefit liability	2,329	1,204

Reconciliation of movements in the defined benefit obligation

	31 March 2021 £'000	31 March 2020 £'000
Defined benefit obligation at 1 April	11,630	13,078
Current service cost	45	101
Expenses	9	9
Interest expense	273	298
Contributions by plan participants	49	55
Actuarial (gains) due to scheme experience	(182)	(83)
Actuarial losses / (gains) due to changes in demographic assumptions	51	(118)
Actuarial losses / (gains) due to changes in financial assumptions	2,449	(1,364)
Benefits paid and expenses	(526)	(346)
Defined benefit obligation at end of period	13,798	11,630

26 Pensions (continued)

Reconciliation of movements in the fair value of assets

	31 March 2021 £'000	31 March 2020 £'000
Fair value of plan assets at start of period	10,426	9,918
Interest income	248	229
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	876	176
Contributions by the employer	396	394
Contributions by plan participants	49	55
Benefits paid and expenses	(526)	(346)
Fair value of plan assets at end of period	11,469	10,426

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was -£1.44m (2019/20: £1.74m).

Defined benefit costs recognised in the Statement of Comprehensive Income

The following transactions have been recognised in the Statement of Comprehensive Income:

	31 March 2021 £'000	31 March 2020 £'000
Current service cost	45	101
Expenses	9	9
Net interest expense	25	69
Defined benefit costs recognised in statement of comprehensive income (SoCI)	79	179
Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	876	176
Experience gains and losses arising on the plan liabilities - gain / (loss)	182	83
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss) / gain	(51)	118
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss) / gain	(2,449)	1,364
Total amount recognised in other comprehensive income - gain (loss)	(1,442)	1,741

26 Pensions (continued)

Scheme assets
The schemes assets consist of the following:

	31 March 2021 £'000	31 March 2020 £'000
Global equity	1,828	1,525
Absolute return	633	544
Distressed opportunities	331	201
Credit relative value	361	286
Alternative risk premia	432	729
Fund of hedge funds	1	6
Emerging markets debt	463	316
Risk sharing	417	352
Insurance-linked securities	275	320
Property	238	230
Infrastructure	765	776
Private debt	274	210
Opportunistic illiquid credit	292	252
High Yield	343	-
Opportunistic Credit	314	-
Corporate bond fund	678	594
liquid credit	137	4
Long lease property	225	180
Secured income	477	396
Liability driven investment	2,915	3,460
Net current assets	70	45
Total assets	11,469	10,426

None of the fair values of the assets shown above include any direct investments in the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Basis for estimating Assets and Liabilities
The following assumptions have been used in the pension calculations:

	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	2.14	2.39
Inflation (RPI)	3.30	2.65
Inflation (CPI)	2.85	1.65
Salary growth	3.85	2.65
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

26 Pensions (continued)

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

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

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

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

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

Deficit contributions

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

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

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

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

26 Pensions (continued)

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

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

Reconciliation of Opening and Closing liability for the year ended 31 March:

	31 March 2021 £'000	31 March 2020 £'000
Provision at start of period	**39**	47
Unwinding of the discount factor (interest expense)	**1**	1
Deficit contribution paid	**(8)**	(8)
Remeasurements - impact of any change in assumptions	**1**	(1)
Remeasurements - amendments to the contribution schedule	**-**	-
Provision at end of period	**33**	39

Local Government Pension Scheme (LGPS) – defined benefit pension scheme
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 Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet.

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result.

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.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

26 Pensions (continued)

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In addition, as many unrelated employers participate in the Royal Borough of Kensington and Chelsea Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2021 £'000	31 March 2020 £'000
Present value of defined benefit obligation	**1,603**	1,120
Fair value of plan assets	**(1,340)**	(999)
Defined benefit liability	**263**	121

Reconciliation of movements in the defined benefit obligation

	31 March 2021 £'000
Defined benefit obligation at 1 April	**1,120**
Current service cost	**38**
Interest expense	**26**
Contributions by plan participants	**7**
Actuarial losses / (gains) due to scheme experience	**(8)**
Actuarial losses / (gains) due to changes in demographic assumptions	**(12)**
Actuarial losses / (gains) due to changes in financial assumptions	**399**
Benefits paid and expenses	**33**
Defined benefit obligation at end of period	**1,603**

26 Pensions (continued)

Reconciliation of movements in the fair value of assets

	31 March 2021 £'000
Fair value of plan assets at 1 April 2018	**999**
Interest income	**24**
Return on assets less interest	**284**
Contributions by the employer	**27**
Contributions by plan participants	**47**
Benefits paid and expenses	**(1)**
Fair value of plan assets at end of period	**1,340**

The following transactions have been recognised in the Statement of Comprehensive Income:

	31 March 2021 £'000
Current service cost	**71**
Expenses	**1**
Net interest expense	**2**
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**74**
Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	**284**
Experience gains and losses arising on the plan liabilities - gain / (loss)	**8**
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	**12**
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	**(399)**
Total amount recognised in other comprehensive income - gain (loss)	**(95)**

26 Pensions (continued)

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 30.44%. The actual return on the fund over the year may be different.

The estimated asset allocation for Octavia as at 31 March 2021 is as follows:

	31 March 2021 £'000	31 March 2020 £'000
Equities	**1,069**	710
Property	**68**	59
Absolute return portfolio	**0**	89
Cash plus funds	**190**	137
Cash	**13**	4
Total assets	**1,340**	999

The following assumptions have been used in the pension calculations:

	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	**2.00**	2.35
Pension increase	**2.80**	1.85
Salary Growth	**3.80**	2.85

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	24.3
Male retiring in 2041	22.9
Female retiring in 2041	25.1

Projected pension expense for the year to 31 March 2022

	31 March 2020 £'000
Service cost	54
Net interest on the defined liability (asset)	5
Administrative expenses	1
Total loss	60

Employer contributions	**27**

27 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:

Shares	At 1 April 2020 £	Issued	Removed	At 31 March 2021 £
48 Class "A" £1	48	-	(3)	**45**
7 Class "C" £5	35	-	(5)	**30**
As at 31 March	83	-	(8)	**75**

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.

28 Contingent liabilities

The Group receives grant from Homes England and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. Grant of £39.7m (2019/20: £37.9m) for the Group and £39.7m (2019/20: £30.6m) for the Association received in respect of housing properties held at 31 March 2020 has been credited to reserves in accordance with the requirements of SORP 2018. The Group has a future obligation to recycle such grant if there is a disposal of the properties that it funds.

As the timing of any future disposal is uncertain, no provision for such a liability has been recognised in these financial statements.

Notes forming part of the financial statements

29 Operating leases

The Group and Association had minimum lease payments under non-cancellable operating leases as set out below:

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Amounts payable as a lessee				
Not later than 1 year	**802**	698	**802**	698
Later than 1 year and not later than 5 years	**1,529**	1,620	**1,529**	1,620
Later than 5 years	**561**	605	**561**	605
Total	**2,892**	2,923	**2,892**	2,923
Amounts receivable as a lessor				
Not later than 1 year	**537**	510	**537**	510
Later than 1 year and not later than 5 years	**1,581**	1,685	**1,581**	1,685
Later than 5 years	**2,677**	2,596	**2,677**	2,596
Total	**4,795**	4,791	**4,795**	4,791

The amounts payable as a lessee principally relate to rental obligations on charity shops. The amounts receivable as a lessor comprise rental obligations on the Association's investment properties.

In addition to minimum lease receivables set out above, the Association and Group have entered into tenancy agreements and shared ownership leases as a Registered Provider of social housing. The minimum amounts receivable under these arrangements cannot be reliably estimated.

The terms of the tenancy agreements generally allow tenants to give one month's notice, the annualised rent roll is £26m at 31 March 2021 (2019/20: £25m).

The terms of the shared ownership leases allow rents to be increased by RPI +0.5% and leaseholders to acquire up to 100% of the share of the property retained by the Association at market value at short notice. The vacant possession values of the retained element of shared ownership leases owned by the Association at 31 March 2021 amounted to £151.4m (2020: £152.9m) and the annual rental being charged at that date was £2.4m (2020: £2.3m).

30 Capital commitments

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Commitments contracted but not provided for:				
Construction	**77,188**	39,351	**77,188**	39,351
Commitments approved by the Board but not contracted for:				
Construction	**16,510**	35,859	**16,510**	35,859
Maintenance	**5,062**	5,116	**5,062**	5,116
	98,760	80,326	**98,760**	80,326

Contracted capital commitments for the Group and Association will be funded as follows:

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Social housing grant	**13,471**	10,363	**13,471**	10,363
Borrowings from existing secured facilities	**41,622**	19,016	**41,622**	19,016
Sales of properties	**22,095**	9,972	**22,095**	9,972
	77,188	39,351	**77,188**	39,351

Octavia has entered into a contract to replace the cladding at Elizabeth House, with the value of £13.4m. The costs are being written off to the statement of comprehensive income as they are incurred. This work is being funded by Greater London Authority remediation grant of £11.2m

31 Related party transactions

The ultimate controlling party of the group is Octavia Housing - a Registered Provider of Social Housing. There is no ultimate controlling party of Octavia Housing.

Transactions with non-regulated entities

The Association provides management services, other services and loans to its subsidiaries. The Association also buys assets and receives services from its subsidiaries. The quantum and basis of those charges is set out below.

Payable to Association by subsidiaries:	2021 £'000	2020 £'000
Octavia Living Limited		
Intra-group management fees	**30**	30
Interest	**6**	128
Total	**36**	158

Payable by Association to subsidiaries:	2021 £'000	2020 £'000
Octavia Living Limited		
Payments for acquisition of housing properties	**-**	4,044
Sales commissions and programme management income	**116**	281
Total	**116**	4,325

Intra-group management fee and Gift Aid

Intra-group management fees are receivable by the Association from subsidiaries to cover the running costs the Association incurs on behalf of managing its subsidiaries. The management fee is calculated on a department basis, with varying methods of allocation. The costs are apportioned as follows:

Department	By reference to
Finance	Headcount
Human resources	Headcount
Facilities	Floor space
Executive	Staff time
Health & Safety	Headcount

31 Related party transactions (continued)

Octavia Housing made no cash donations to the Octavia Foundation in the year (2019/20: £nil), a charitable entity which works to assist tenants of Octavia Housing and the wider community and which operates from Octavia Housing's offices in West London. Octavia Housing donated services (including Human Resources, IT and finance support) to the value of £36,000 in 2020/21 (2019/20: £36,000).

During 2020/21, Octavia Housing received gift aid donations from subsidiaries totalling £858k (2019/20: £605,000). Octavia Living made a gift aid donation of £858k (2019/20: £604,000); Octavia Development Services Limited made no donations to Octavia Housing in the year (2019/20: £1,000).

Intra-group loans

Entity granting loan	Entity receiving loan	At 1 April 2020 £'000	Movement £'000	At 31 March 2021 £'000
Octavia Housing	Octavia Living Limited	-	562	**562**
		-	562	**562**

This intra-group loan is currently for a maximum amount of £1m, repayable on 30 December 2022, bearing interest currently at a rate of 4.65%. The loan is secured by a first fixed charge over land.

Balances outstanding from the subsidiaries

Payable to/(from) Association by subsidiaries:	2021 £'000	2020 £'000
Octavia Living Limited – Amounts for acquisition of land and buildings	**548**	(558)
Octavia Foundation	**234**	162

There were two board members who were tenants of Octavia Housing during the year - neither of them had any arrears at 31 March 2021 (2020: £nil). Details of their remuneration are given in note 10 above. Neither of them enjoy any other special arrangements.

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