OCTAVIA

Homes, support and opportunity

Annual report and financial statements 2021/22

Contents

Board, executives and advisors

The Board

Sandeep Katwala	Chair
Debbie Sorkin	Vice-Chair
Sheila Fitzsimons	
Terry Gallagher	
John Holman	
Sandra Skeete	
Steve Smith	
Visakha Sri Chandrasekera	
Rosalind Stevens (retired 14/03/22)	
Hugh Thornbery	
Paul Williams	

Our Board is currently made up of 10 people and includes one Octavia resident. Together they bring a broad range of relevant skills and experience.

Executive management

Sandra Skeete	Chief Executive
Abbi Agana	Executive Director of Corporate Operations (resigned 30/6/2022)
Lynsey Bradshaw	Chief Financial Officer
Iain Bacon	Interim Chief Financial Officer (appointed 19/10/2021)
Caroline Davies	Director of Asset Management (resigned 06/08/2021)
David Markham	Interim Director of Asset Management (26/07/2021 to 07/03/2022)
Sarah Shaw	Director of Homes, Care and Community (resigned 02/12/2021)
Denize McGregor	Executive Director of Customer & Community Services (appointed 04/01/2022)
David Woods	Development Director (resigned 29/10/2021)
Stephen Kirrage	Executive Director of Development Sales & Asset Management (appointed 07/03/2022)

Secretary & registered office

Colin Hughes
(resigned 26 November 2021)
Iain Bacon
(appointed 19 October 2021)

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Tel: 020 8354 5500

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90 Baker Street Branch
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Internal auditors

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Auditors

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15 Canada Square
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Principal legal advisors

Devonshires
30 Finsbury Circus
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Foreword from the Chair

Octavia has a clear social purpose to build on our legacy, tackle inequality and deliver in even the most challenging circumstances.

> "Our strategic planning will always be driven by service quality and the safety and welfare of our residents and colleagues."

With the Covid pandemic and its social and economic effects continuing to have an impact, 2021/22 was another very challenging year for many. As Chair, I am very proud of how our organisation, colleagues, volunteers and partners responded to serve our communities.

Our service performance in many areas remains strong, new affordable homes are being built, our extra care schemes are rated as 'Good' by the Care Quality Commission and we are engaging with more members of the community than ever before. But we cannot afford to be complacent and we will continue to strive to be better.

To ensure Octavia continues to progress and build on our collaborative work we launched three key strategies in 2021/22.

- Our 'Better Lives for All' Corporate Strategy, 2021-2024
- Our Communities Strategy - Building on our Legacy, 2021 -2024
- Our Environmental and Sustainability Strategy - Towards a Sustainable Future, 2022-2025

Our strategic planning will always be driven by service quality and the safety and welfare of our residents and colleagues. We continue to prioritise building and fire safety in all areas of our work, embedding a proactive safety culture at Octavia.

Similarly, we welcome the forthcoming new tenant satisfaction measures proposed in the Social Housing White Paper. We share more about how our residents contributed to the national consultation in this annual report.

We have focused on improving how we deliver our services and supported colleagues to develop their skills in a workplace where everyone can have the same experience wherever they work. We have been laying the foundations for our colleagues to thrive and be enabled to meet our goals, so that we can drive the organisation forward in a culture of growth.

Governance

I am pleased to report Octavia's governance is strong and we are financially robust. Following the In-Depth Assessment (IDA) by the Regulator of Social Housing (RSH) in November, we received a G1 rating for governance. Our financial viability grade remains V2, demonstrating 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.

Our Financial Transformation Programme and Risk Matrix enabled us to further check and strengthen our finances and credit rating, achieving value for money across our business. This has put us in a good place to navigate and respond to the wider economic landscape and rising living costs.

To support this, we reviewed our organisation's directorate structure, moving from five directorates to four. We welcome the new directors – who all bring a wealth of experience and share our vision of Better Lives for All.

We also welcomed two people as apprentices to our Board and Corporate Committee so that they could bring their knowledge and ideas to our organisation and learn more about housing governance. The scheme was a positive experience that we hope to continue and I thank them for their contribution over the last year.

On behalf of all our Board members I would also like to thank all of our residents, colleagues and partners for your commitment throughout 2021/22. Together we are enabling Octavia to stay true to its social purpose in providing homes, support and opportunity for people in central and west London.

Sandeep Katwala
Octavia Chair

Foreword from the Chief Executive

Our legacy is inspiring, our vision is clear, our approach at Octavia will always be for the common good. This year continued to be a testing year for colleagues and our partners. It highlighted the importance of the work we do in providing quality homes, care and opportunity for the communities we support.

We are more committed than ever to tackling inequality through our services and ensuring Octavia's work responds to growing needs. To meet the external challenges outlined by the Chair in his Foreword, we are evolving the organisation to develop our offer and achieve our ambition to provide more homes and support for people in London.

This year saw the completion of the first year of our 2021/24 Corporate Strategy. Through working with and listening to the views of residents, we launched two new strategies during the year to support objectives relating to our community and sustainability ambitions.

While it has been a challenging time, we are pleased to report good progress throughout the year, including:

- The review of our complaints procedure and policy, in partnership with our residents, leading to an increase in resident satisfaction and the number of complaints being resolved locally first time
- Our performance is strong, and in many cases top quartile, compared to other similar housing providers
- We are on track to achieve our affordable homes targets, providing new homes for local people in the areas where they live and work
- We have involved residents in a review by the tenant engagement experts, TPAS, to explore how we can provide more opportunities for people who live in our homes to influence our work
- We continue to prioritise fire safety through our building safety programme
- Our Communities Team engaged with more than 3,400 people, providing support, connection and financial aid to residents of all ages
- 70% of our homes were rated C or above for energy performance, and our new sustainability strategy sets out our plans to be a net zero organisation by 2050
- We have a renewed focus on our high street charity shops, to achieve profit to invest back into our communities

The wellbeing of colleagues remains paramount. Their dedication and ability to adapt to meet challenges has been vital to the success of our work and is key to us achieving our future aims. Our newly developed People Strategy supports a positive working culture where opportunity exists for all and people thrive.

As the constraints of lockdown eased, it has been good to be able to deliver our services face-to-face again across our homes, offices and in the community. I know how hard the last two years have been and I am personally very grateful

"The wellbeing of colleagues remains paramount. Their dedication and ability to adapt to meet challenges has been vital to the success of our work and is key to us achieving our future aims."

to colleagues, residents, partners and volunteers for your efforts and determination to serve our communities throughout. Thank you all for your contributions.

As we continue to work in partnership and prepare for the economic and social challenges ahead, we remain a resilient organisation, ambitious to build on our legacy and further our impact in the communities we serve.

Sandra Skeete
Octavia Chief Executive

External environment

We always consider global, national and local factors that could impact Octavia and the communities we serve, and plan our work accordingly. We have identified these as the following:

Covid - long term financial and social impact on the wellbeing of residents, service users and stakeholders, as well as Octavia

Brexit – impact on resources including our supply chain, rising costs, and recruitment and retention of colleagues across all services

Economic climate - increasing cost of living, including energy price rises, rising inflation and the impact of the geopolitical situation

Climate change - extreme weather such as flash flooding, causing damage to homes, property and impacting services

Environmental sustainability - achieving net zero ambitions across our business

Housing crisis - supporting London and local targets around housing need

Fire and building safety - ensuring all our homes and properties are safe and meet the evolving regulatory environment

Regulation, legislation and policy - responding to the Social Housing White Paper, consumer regulation and the forthcoming Tenant Satisfaction Measures

Equality, Diversity and Inclusion - proactively creating opportunity across our workforce and partnerships

Innovation - investing in our people, assets and technology to build on and grow our legacy

Mental health and wellbeing - prioritising the health of our workforce and residents

Year at a glance

Launched our 2021-2024
Communities Strategy
'Building on our Legacy'

100%
of fire risk assessments completed

On target to deliver
1,408
new homes with partners by 2023

Engaged with
1,789
residents to learn how we can improve our service

90%
of residents satisfied with last repair

Held more than
400
financial advice sessions, directing **> £519,000** to residents in need

3,495
people engaged through
our communities programme

Launched our 2022-2025
Environmental Sustainability Strategy
'Towards a sustainable future'

Launched our 2021-2024
Corporate Strategy
'Better lives for all'

874
older people connected with outreach and befriending

105
people supported into training and employment opportunities

896
young people attended activities through the support of our Better Lives Community Fund

Our seven
extra care schemes rated 'Good' by the CQC*

RBKC Mayor's Award for our
outstanding
community response to Covid

70%
of homes rated C or above for energy performance

*CQC – Care Quality Commission

19

Homes

A place to call home

quality homes and services

Our role is to provide good quality, affordable homes for London's diverse communities. We manage 5,313 homes for social housing, supporting a broad range of housing needs.

We are committed to building more affordable homes for Londoners and are making good progress. Our leadership of The Connected Partnership, a strategic development partnership with the Greater London Authority (GLA), Origin Housing and Shepherds Bush Housing Group is on course to deliver more than its target of 1,408 new homes developed and under construction by 2023.

In September, The Connected Partnership was allocated over £55 million to deliver 450 new homes during 2021-2026 as part of the GLA's Affordable Homes Programme. Of the 450, half will be for social rent with the other half for affordable home ownership including shared ownership and London Living Rent tenures.

On target to deliver
1,408
new homes through the Connected Partnership by 2023

97%
of complaints resolved by service managers

Figure 1 - Number of Octavia homes at 31 March 2022, by tenure

Tenure	Ownership/ management	Number of homes
General Needs	Owned and managed by Octavia	3,282
	Owned by Octavia and managed by others	2
Intermediate Rent	Owned and managed by Octavia	170
Affordable Rent	Owned and managed by Octavia	527
Supported Housing	Owned and managed by Octavia	166
	Owned by Octavia and managed by others	81
Housing for older people	Owned and managed by Octavia	137
Shared ownership	Sold	488
	Unsold	19
Leaseholders	Managed by Octavia	297
Student	Owned and managed by Octavia	125
Private let	Owned and managed by Octavia	19
Total		**5,313**

Through our partnership with Barratt Homes and the GLA, we are delivering a new extra care social housing scheme, providing 60 high quality homes for older people. This development began in 2020 and is due to be completed in autumn 2022.

The continued pandemic has seen ongoing challenges for new homes development and impacted the number of homes we completed during the year. Despite this, by the end of March 2022, 324 new homes were in development, meeting our Corporate Strategy 2021/24 target.

Schemes completed in 2021/22

- Clipstone Mews, Fitzrovia – 15 Intermediate Rent homes
- Rome House, West Ealing – 36 homes for London Affordable Rent and shared ownership

"Octavia has helped me to find a place I can call home. It's top notch. I like cooking and this is somewhere where I can entertain my friends. It's super quiet here but also well connected. I can get to central London in a matter of minutes."

Jason, shared ownership home resident

Figure 2- Key performance indicators

Performance indicator	2021/22	2020/21	London HouseMark comparison
Rent arrears as % of rent due	**3.34%**	3.8%	Upper median
Rent collection as % of rent due	**100.08%**	100.6%	Upper median
Void loss as % of rent due	**0.78%**	0.5%	Top quartile
Average voids standard re-let time in days	**33.65**	35	Lower median
Number of ASB cases per 1,000 properties	**10**	10	Top quartile
% residents satisfied with last repair	**90%**	87%	Upper median
% properties with valid landlord gas safety certificates	**99.97%**	100%	Top quartile
% fire risk assessments completed	**100%**	100%	Not available
Average call answering time in seconds	**13**	14	Top quartile
Average time to respond to a complaint (in working days)	**7.5**	8	within target and top quartile

We sold 32 new shared ownership homes in 2021/22 across the boroughs of Brent (17), Hounslow (6) and Westminster (9). The average household income for shared ownership buyers was just over £47,000. The average sales value of the homes sold was £738, 000 in Westminster and £382,000 in Hounslow and Brent. There were several voluntary disposals during the year (four properties and two lease extensions), and 12 existing shared ownership homeowners took the opportunity to buy a greater share of their home through staircasing. The total surplus from sales after costs was £3.943m.

Performance

Good quality housing requires a responsive, reliable service. Throughout 2021/22 we engaged with 1,789 residents to learn how we can improve our customer service and respond to the current social and economic challenges.

This year we received 163 formal complaints. All were dealt with through our complaints process, with 97% of complaints resolved internally, either by service managers or senior managers. Five were escalated to our independent complaints panel. There were no determinations from the Housing Ombudsman during the year.

In November 2021, we ran two resident workshops and several workshops with colleagues to review our complaints process. We also improved communications around complaints through our work to centralise the handling of all complaints, as we seek to further improve our service. This has already made a positive impact on how we operate and we are pleased to report that this is reflected in our performance figures; increasing resident satisfaction and empowering staff to resolve complaints more efficiently.

Despite on-going Covid restrictions and sector wide problems around staff resources and the supply and costs of materials, our repairs service performed well. Repairs satisfaction was at 90% in March 2022, an increase of 3% from 2020/21.

Key performance highlights for the year include:

- 99.97% of our properties have valid gas safety certificates (100% completed by April 2022)
- 100% of our homes have completed fire risk assessments
- 90% of residents are satisfied with their last repair
- 97% of complaints were resolved internally, with 3% going to our complaints panel
- 163 formal complaints were received, 5 were escalated to independent complaints panel for review. We received no determinations from the Housing Ombudsman for the year 2021/22
- Rent arrears reduced to 3.34%
- 404 residents received benefit and money advice

Emergency and urgent works were completed on time and target times for routine repairs improved month-on-month. We worked constructively with our contractors on resourcing issues as a result of the challenging external environment and the pandemic, which contributed to an improvement in repairs performance.

The constraints of Covid and the resulting lower level of access to people's homes, meant we reduced our planned maintenance programme, completing 34 properties under our cyclical works programme and replacing 195 boilers. A larger programme of works is due to begin later in 2022, which includes restarting our kitchen and bathroom refurbishments.

> **"I attended the complaints workshop and was glad to have my voice heard. I felt listened to and taken seriously."**
>
> Resident

Resident satisfaction

Our bi-annual Survey of Tenants and Residents (STAR survey), undertaken with sector specialists HouseMark, which asks residents wider questions about their home, area and value for money, is taking place in November 2022. The results will be shared with residents in our newsletter and through our website and social media channels. Our last STAR survey in 2020 demonstrated high levels of satisfaction across our services.

Listening to residents

Our strategic resident group, Your Voice, continued to meet with greater frequency during the pandemic and had another active year looking at Octavia's performance as well as a wide range of priority areas, to ensure resident services, safety and welfare remained at the top of our agenda. These ranged from noise nuisance to fire safety and flood risk (following the severe weather incident in July 2021), to energy sustainability. The group also inputted into the national consultation on tenant satisfaction measures, participated in the Board away day and followed up on findings from our other resident involvement mechanisms. These included 28 locality meetings, a number of focus groups and a call-around which identified those struggling with energy bills and boosted referrals into support services.

During the last quarter of the year, we partnered with the tenant participation experts, TPAS. They were selected by a joint Octavia and Your Voice panel to engage with residents and colleagues on the development of a new resident influence strategy. We worked with both involved residents and residents who had not been involved with us previously, to

understand priorities and the barriers to participation. This has informed our strategy and led to a wider focus on driving resident influence, not just involvement, and embedding influence through our core roles and processes.

"I used to be on a zero-hours contract and it was very unpredictable. I was running up large debts because, despite working long hours, the money I would get in was low and not dependable. Octavia were amazing, helping me with managing my incomings and outgoings, helping me to get grants and making my debts manageable. I feel like I have control over my life."

Resident

Building safety

Feeling safe in your home is a right not a privilege. At the end of March 2022, all our homes had valid fire risk assessments and 99.97% of our properties had current gas certificates. In last year's annual report, we updated you on our work to replace ACM cladding on one development that is more than 18 metres high - this work was almost completed at 31 March 2022. Work is underway, or planned, to two other buildings and an ongoing programme of further building and fire safety surveys continues to take place across our homes.

During the year we set up a Fire Safety Scrutiny Group involving colleagues and residents across our business, to discuss the Building Safety Bill and ensure all our homes and buildings adhered to changing fire and building safety regulations.

In July 2021, more than 170 people in 96 of our homes were affected by a flash flooding incident in west London, 58 of the homes requiring extensive remedial works. We have worked with residents affected to secure alternative accommodation and support where needed, while homes were made safe and repairs carried out. At the end of March 2022, work to 25 homes had been completed.

Through Your Voice, we took on board residents' recommendations around preparing for future flood risks. Though the July 2021 incident has been deemed a 'freak' weather event, as a preventative measure against future flooding we are installing flood resistant doors to homes affected.

For the common good

Over 150 years ago Octavia Hill set up our organisation to tackle inequality. We continue this role today by supporting people in our communities who are experiencing hardship or lack of access to opportunity, particularly those who are vulnerable or struggling due to the rising cost of living and the financial implications of Covid.

We want people to know they are not alone and there is help for them. In September, we joined the Joseph Rowntree Foundation, the National Housing Federation, Placeshapers and 100 other signatories in an open letter calling on the Prime

Minister to reverse the planned cut to Universal Credit.

As an anti-racist organisation, we are committed to tackling social injustice and inequality. With underlying inequalities made worse by the economic effects of the pandemic, we extended the operating hours of our Financial Inclusion Team telephone advice line in October to help residents gain access to benefits and other support they are entitled to.

In 2021/22 the team:

- Contacted 241 residents directly in November 2021 to offer financial inclusion support and remained in contact with those who requested help
- Responded to 218 enquiries and held 404 sessions to offer benefit and money advice
- Directed £519,466 of funds to residents through grants, benefit, tax and utility support.

With this targeted help, rent arrears for 2021/22 decreased to 3.34%.

Our network of community-driven partnerships means we are also well placed to work with specialist organisations to provide housing for the most vulnerable people in society, including women fleeing domestic abuse and homeless people living in London boroughs.

Our performance

0.78%
homes void loss as a % of rent due
Top quartile

10
ASB cases per 1,000 properties
Top quartile

99.97%
of properties with valid gas safety certificates
Top quartile

100%
of fire risk assessments completed

13
seconds - average call answering time
Top quartile

7.5
days - average time to respond to a complaint
Top quartile

Communities

Vibrant communities

empowering people to live well

Octavia's unique community offer puts communities first, empowering thousands of people to live well.

We tackle inequalities by creating opportunities and connection through employment and training advice, outreach and befriending, activities for young and older residents, volunteering, support grants and food provision.

Our face-to-face activities were suspended for certain periods of the year due to Covid restrictions, yet we still achieved our ambitions in many areas, engaging with 3,495 people over 2021/22. For us, our work is so much more than about the numbers; we build capacity within individuals, supporting them to feel more confident and less lonely, improving their wellbeing and financial resilience, and empowering them to achieve the outcomes they want.

In October, we launched our Communities Strategy 2021-2024, 'Building on our Legacy'. The strategy has been developed in partnership with residents and involves all aspects of our community work from front-line to the Board and Octavia Foundation Trustees. It sets out our ambitions to support at least 4,400 people a year by 31 March 2024.

Helping us to help others is our own community of colleagues, partners, volunteers, residents and stakeholders. All share a common goal to build and sustain thriving communities in the London boroughs where we work.

We are hugely grateful to all those who made continuing with our community projects possible. It was a real pleasure for us to be able to thank our volunteers and supporters at Octavia's Community Celebration event at Kew Gardens in December 2021.

The highlights of our joint achievements this year can be seen in the box opposite.

"If I hadn't got through to the wonderful staff I have dealt with, she (mum) might not be here today. It's been a life-changing connection for us that has given mum a new lease of life. Since her cry for help, all she has received is good news. She has always been a very bubbly and vibrant woman and it's so nice to see her feeling happier and more herself again."

Relative of service user

Community outcomes

* Launched Community Strategy 2021/2024, explaining how we will connect with more people
* 406 people volunteered with us to support their local community
* 105 people were supported with employment and training advice
* 36 people were supported into paid work
* 874 older people benefitted from outreach services, befriending and activities
* 453 older and/or disabled people received free handyperson or gardener visits
* £47,592 was donated to 10 local charities through Octavia's Better Lives Community Fund to run projects for young people
* 896 young people attended activities provided through funding from Octavia's Better Lives Community Fund
* 242 young people attended regular weekday and school holiday events at Base, our creative youth provision
* 261 people received emergency food support
* 106 people living on low incomes received grants for essential household items

It's good to talk

Our established Better Lives Programme helps prevent older residents living in our communities from feeling isolated and creates volunteering opportunities.

Last year we connected 874 older people with outreach support and community activities, including 239 who received one-to-one and group befriending.

63% of people engaging with the Better Lives programme report a decrease in feelings of loneliness and 41% experienced improved wellbeing.

This year's further opening up of services meant we were gradually able to offer face-to-face befriending once again, as well as keeping telephone befriending an option for flexibility. We are grateful to our volunteers who play a big role in the success of Better Lives.

Employment and training

We are registered as a Gold Standard organisation as part of Kensington and Chelsea borough's 'Pathways to Work Charter'.

Throughout 2021/22, we supported 105 people with training and employment opportunities; 36 people were successfully recruited into better paid work or new employment.

Engaged with
3,495
people through our community programme

As part of the Government's Kickstart scheme, we created three six-month placements for young people aged 16-24 as Digital Content Creators. Two of these young people successfully entered paid employment immediately following their training. The third Kickstart placement was still with Octavia at 31 March 2022. A total of 10 young people who attended our youth provision were supported into further education or employment.

Connecting younger people

We connect with young people creatively. Filmmaking, animation, music videos, game production, photography and trips away to interesting places are just some of the things on offer. In partnership with specialists and professional experts, our Youth Team delivers a popular and inspiring programme that is inclusive, relevant and aims to build skills and trust.

During the year, 242 young people regularly attended our weekday and school holiday events, attending a total of 1,981 times across 1,044 hours of youth work activities, many sessions including a healthy hot meal.

For young people with mild to moderate learning disabilities, we launched Access Digi-Base in November 2021. It's a new creative media project where young people can explore animation, filmmaking, music production, digital arts, gaming and much more.

Set a new target to support at least
4,400
people by March 2024

The demand for our youth service has never been greater and we are delighted to report that we engaged with nearly double the number of young people than in the previous year.

"Through the projects I've been involved in – a play, a documentary and five films – I've gained so much experience. I've also received guidance, support and connections that I couldn't have got elsewhere."

Adil, young person involved with Octavia's community projects

Octavia Better Lives Community Fund

Octavia's Better Lives Community Fund supported a further 896 younger people through grants to small local charities. Ten local charities benefitted from a total of £47,592 grant funding across a range of areas; from the purchase of a new bus to transport young people safely between projects at The Avenues Youth Project to a football and education after-school project run by Kinetic Foundation for young people aged 14-16. We are very grateful to the Octavia Foundation Trustees for their support with managing the fund and for agreeing to increase the fund to £100k in 2022/23, to support our ambition to increase the reach of the fund to more than 1,500 young people locally.

Octavia charity retail stores

Our retail division made steady progress throughout the year. All 15 shops reopened in April 2021 and were trading seven days a week from July 2021. The community continued to support our stores with many people providing donations and 149 generously volunteered their time. In January 2022, we recruited a new Head of Retail who will lead on developing our new charity retail strategy; to respond to the changing needs of donors and supporters and to ensure a modern and dynamic presence in a highly competitive market. Our aim is to maximise income from our charity stores, enabling us to generate more funds to invest in our community projects.

Creative highlights for 2021/22:

- 4 x broadcast quality films, conceived, written, filmed, acted and edited by young people aged 13-25, covering topics such as structural racism and childhood poverty. The films exploring childhood poverty were screened at the Childhood Poverty Summit in October 2021.
- 2 x music videos created by young people aged 13-25 in partnership with The Avenues Youth Project.
- 1 x intergenerational video game created in partnership with Wac Arts, researched and designed by a group of 10 young people aged 10-15, aimed at providing a fun, sensory experience for older people suffering from dementia. The game was showcased with older people from The Kensington Day Centre, based at The Reed (our intergenerational community hub) and residents at one of our extra care schemes
- A 7 week Saturday filmmaking provision at The Reed
- A 7 week Saturday 3D game design provision at The Reed
- A 9 week filmmaking careers and 3D game design project for young people not in education, employment or training

Extra support

One figure that is tough to grapple with is the increasing numbers of individuals and families experiencing food scarcity. During the year, we supported 261 people with food bank referrals or food parcels and secured grants for 106 people on low incomes to purchase essential household items such as fridges, cookers or computer equipment for education, training or work. We also provided 453 older or disabled people with home handyperson 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 would also like to extend our thanks to the many food support providers who worked in partnership with us to provide invaluable assistance to those in need.

"Through my apprenticeship, Octavia has supported me to gain a youth work practice qualification. Completing my Level 2 Certificate has motivated me to work towards completing a Level 3 Diploma and I'm grateful to Octavia for sponsoring this next step in my youth work journey."

Care and support

Better lives

quality care and support

Quality care

Our Care and Support services are respected by the older and vulnerable residents we care for, their families who entrust their care to us, local authorities who commission care services from us and the Care Quality Commission (CQC).

We specialise in relationship-based care and a compassionate understanding that we will always be learning from our residents, to deliver the highest (and often award winning) levels of service. The last year continued to be tough for the care sector. However, the dedication and determination of our colleagues to maintain exemplary standards for residents was just as consistent.

Extra 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 and the floods

Our Care and Communities teams received a Royal Borough of Kensington and Chelsea Mayor's Award for their outstanding response with keeping vulnerable people safe during Covid. The teams also worked with 17 supported households severely impacted by the unprecedented flooding incident in west London in July 2021, helping them to move whilst necessary works were carried out in their homes. One family member of a particularly vulnerable resident affected commented:

"Dad and I do appreciate everything you (Octavia) have done. We are forever grateful. Daddy is very comfortable and is settling in well thank you - just overjoyed to be back home."

Covid restrictions continued at our extra care schemes. Our care colleagues maintained their approach 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.

Throughout the year, we continued to be in daily contact with local authorities and public health teams, as the CQC undertook emergency reviews to understand our response to the pandemic and assure that we were taking all prescribed measures to minimise risk.

Reablement

We believe in helping people live independent lives. Our valued reablement service provides short-term care to people to aid recovery after discharge from hospital. Three dedicated units, managed in partnership with Kensington and Chelsea Adult Social Care, provided reablement to 19 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.

Highlights for 2021/22

- All 7 extra care schemes retained their rating of 'Good' from the CQC (2 have been rated outstanding for responsiveness)
- 94% satisfaction rating from people using Octavia Care and Support
- 163 people benefitted from floating support
- 103 sheltered housing residents provided with on-site support
- 210 extra care residents took part in tailored activities
- 179 people received 3,369 hours of care per week
- 19 people able to leave hospital through our reablement units
- We received a Mayor's award in the Royal Borough of Kensington and Chelsea for our outstanding community Covid response
- In partnership with St Christopher's Hospice, we created a resource for care teams aimed at improving the lives of older people living in extra care homes

Adaptations

The need for adaptations in people's homes continued to be identified and responded to throughout the year, with 85 minor and 23 more extensive new adaptations carried out, in addition to 37 adaptation repairs. Processes were put in place to ensure all Covid risks were addressed.

Our community hub at The Reed

As we emerged from the pandemic at the end of the year, The Reed, our intergenerational community hub in Convent Gardens, London W11 returned to full operating capacity, offering a range of onsite activities and social events for older people with care and support needs, alongside our young people's digital project facility and café.

Better lives, better endings

As part of our Better Lives, Better Endings project, Octavia partnered with St Christopher's Hospice to develop a training resource for care colleagues to embed the principles of excellent planning and support as people approach the latter part of their lives. This work resulted in the development and publication of a new toolkit for care staff (BLBE toolkit) which was launched at a Housing Learning Improvement Network event in March 2022. The resource has been shared with peers across the sector.

Liz Bryan, Senior Associate of St Christopher's CARE said: "We are incredibly proud to launch the Better Lives, Better Endings suite of resources in partnership with Octavia. With more and more people choosing to remain at home for their last few days, months or years, it's become increasingly important to empower them to make choices about the care they receive and what they want from their life and death. It is therefore equally as important to ensure that care providers are able to explain and facilitate these choices to the best of their abilities. This suite of resources is intended to help those providers be prepared to have difficult conversations and enable people to make decisions that they wholly understand and are comfortable with, leading to an increased quality of life up to and including at the end of life."

One way the Octavia's Care Team put the project learning into action was through the creation of a memorial garden for residents of one of our extra care schemes. Initiated by and planned with residents, the garden provides a space for relaxation and reflection for residents and their visiting family and friends. The garden opened in November 2021.

"I feel very energised by the garden. It's important to live life every day to the maximum and to enjoy as many experiences as you can. The last two years have been very quiet with not much going on. Creating the garden has been a highlight and it's important to remember the people who have lived close to you and been a part of your life."

Joyce, Octavia extra care scheme resident

All 7
extra care schemes retained CQC 'Good' rating

94%
satisfaction rating from Care and Support service users

Sustainability

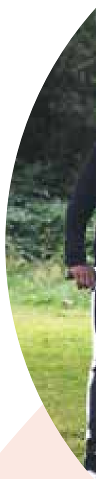
A sustainable future

We launched our Environmental Sustainability Strategy for 2022-2025 during the year, following consultation with residents, colleagues and external partners. The strategy sets out clear targets on how we will work towards tackling the challenges of fuel poverty, climate change, carbon emissions and air quality.

We have reaffirmed our commitment for all our homes to be SAP C or above by 2030 and we will work towards net zero carbon emissions by 2050. As of 31 March 2022, 70% of our homes were rated C or above for energy performance and this year we are reviewing the most effective solutions for raising performance levels on those under C.

We have set targets around reducing carbon emissions for new homes, improving our green space with resident-led biodiversity projects and working with our contractors to support their move to electric vehicles.

This year we provided free energy-saving 'Green Doctor' consultations to 25 residents to help them reduce the energy they use, keep warm and reduce waste. We spoke to over 240 residents in November through an initiative to support concerns about rising energy costs and give energy saving advice.



Adopted
Sustainability Reporting Standard for Social Housing

240
residents received energy saving advice

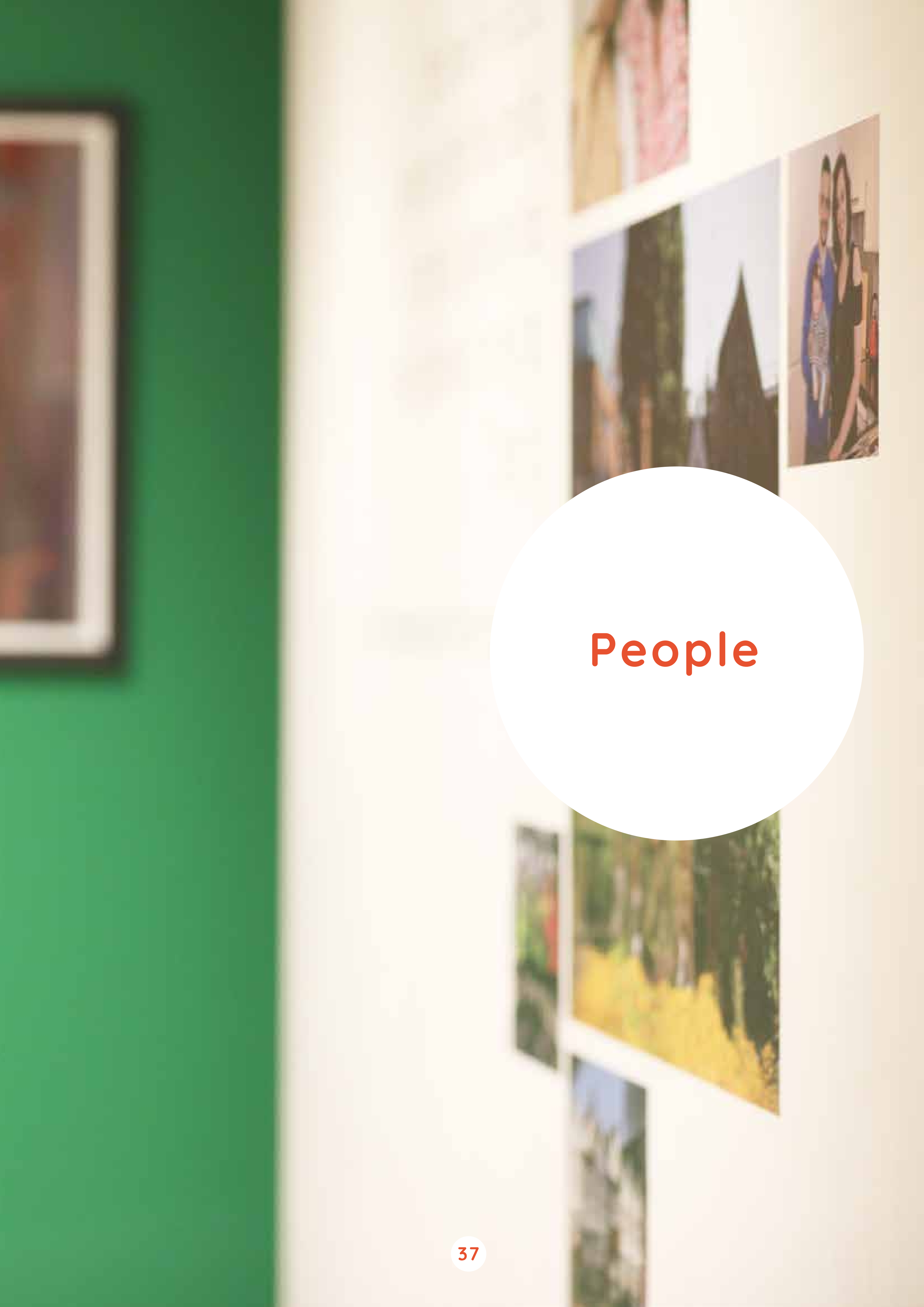
70%
of homes rated C or above for energy performance

"It was really great to be involved in the development of Octavia's environmental sustainability strategy. In understanding the views and needs of residents, and then focusing on specific, measurable goals to achieve net zero, Octavia has demonstrated its commitment to building on its legacy."

Greta – resident and Your Voice member

In November 2021, we were awarded SHIFT Gold status for the fourth successive year, a reflection of our performance in managing environmental sustainability.

Also in November, we published our first Environmental and Social Governance Report, becoming an early adopter of the Sustainability Reporting Standard for Social Housing. We received very positive feedback on the report from a range of other organisations and stakeholders. This further strengthens our commitment to a sustainable culture in recording and reporting measures such as zero carbon targets, energy efficiency, affordability and safety.



People

People and culture

> "We want colleagues to thrive and develop in a culture of growth, with our shared values at the heart; a culture that is inclusive and facilitates connection, openness and trust, enabling everyone to be their true selves."
>
> Octavia People Strategy

What kind of person works at Octavia? A talented individual who believes in our Better Lives for All vision and understands their role in delivering equality through homes, support and opportunity.

Early in 2021, we launched our four-year Corporate Strategy that aims to build on our legacy and optimise our impact. Our desire is to be a destination employer, supporting our colleagues to thrive and deliver on shared objectives.

In consultation with the Board and our 440 colleagues, we developed a new People Strategy to underpin the Corporate Strategy, which received Board approval in March 2022. This strategy has a clear objective to support our employee experience.

Our Values:

Reliable
Responsive
Respectful
Resourceful

This will be launched in 2022 with a programme of activities and engagement for colleagues, managers and leaders.

We also reviewed our organisational structure to ensure we continue to operate in the best way for all our stakeholders. We considered the following four areas:

- What matters most to our customers and communities - tackling root causes of disatisfaction

- Improving how we manage our assets - managing the end-to-end property lifecycle and with safety at its heart
- Delivering our duty of care to colleagues - protecting wellbeing and safety and providing opportunities for progression
- Guardianship of our finances and regulatory requirements - driving value for money with appropriate governance in place

Following the review, we reduced the number of our directorates from five to four. We recruited two new executive directors following departure of some previous directors.

Responding to Covid

The ongoing pandemic presented another unprecedented year of challenge for colleagues, both in being able to carry out their roles and personally.

In February 2022, we re-opened our face-to-face walk-in reception services at The Reed and we were able to offer face-to-face appointments for residents at our Emily House office from March.

In July 2021, Emily House welcomed back colleagues on an initial three day per month basis. By 31 March, this was increased to encourage more regular office-based collaborative working and we now have a longer-term model for hybrid working in place.

After a period of furlough, colleagues returned to our charity retail stores and all staff in frontline services operated in line with government guidelines. Frontline colleagues in our support, care and housing services continued to operate in very difficult circumstances, prioritising essential services to help keep everyone safe.

The majority of office-based staff worked remotely for much of the year, many in home working environments. 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 continued with regular 'pulse' surveys to check in with staff, and responded to concerns raised, including updating our learning offer aligned to our four values. Knowing more about the work of colleagues and teams was a key ask so we ran a team 'spotlight' campaign for people to highlight their service and contribution. Colleagues were encouraged to use Facebook Workplace creatively to engage directly with colleagues, posting videos and presentations to showcase their work. Our elected staff forum was included in our business response and Covid recovery planning.

The Executive Team hosted bi-monthy live online all-staff briefings throughout the year, to engage colleagues in strategic developments and provide an opportunity for them to be involved and give feedback. Recordings of the events are published on internal channels to ensure they are available to everyone.

In 2021/22, staff sickness absence was an average of 8.6 days lost per person, which is higher than the UK national average of 5.8. It is noted that there was an increase in Covid cases during the year. We also have several long-term sickness absences, which are being managed. Our staff turnover figure at 31 March 2022 was 20%.

Equality, diversity and inclusion

An Equality, Diversity and Inclusion (EDI) taskforce fed into our Board and led on data-driven reviews of inequalities that impact our policies. Through our Black Lives Matter (BLM) Commitments, we increased our support to Black and Asian colleagues. We continued to support 'Uplift', our Black Staff Network. The group was set up to support Black colleagues, creating a safe space for sharing and mutual support. They undertook a number of projects this year, including a mentoring scheme for Black male staff. Our LGBTQ+ network group had a positive influence on Octavia's working practices, playing a key role in producing a new candidate recruitment pack to emphasise our inclusivity as an organisation and to attract diverse talent.

We provided leadership awareness training with a specific focus on race equality, undertook several 'lunch and learn' sessions around pension planning, menopause and allyship. 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.

We have improved our recruitment services, evolving our employer brand in line with our strategic goal to be an employer of choice. Improved internal recruitment support has seen an increase in internal mobility, providing enhanced development opportunities for colleagues.

In consulation with colleagues, developed a new **People Strategy**

Launched a new **employee self service portal**

Target Operating Model – priorities

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.

Responsive resources

Technology

We continue to invest in our technology so colleagues are equipped with modern and engaging resources that enable effective connection and collaboration. We refurbished Emily House technology, installing audio-video docking workstations and optimised WiFi to enable hybrid meetings. We also introduced enhanced WiFi at our care schemes in 2022.

On 1 April 2022, we launched a new employee self-service portal and HR payroll system, which provides colleagues with quick, easy access to own their own data. It also improves our colleague experience by reducing manual processes and enabling us to make data-driven decisions. The next phases of the project will support an improved eLearning experience for our core and mandatory learning, performance management and onboarding.

This year marked the start of the cloud migration project, supporting our working systems to be more agile, secure and cost effective. Key milestones included our disaster recovery system, which went live in the cloud in August 2021, followed by the migration of our back-office systems onto a cloud desktop solution.

For the coming financial year, 2022/23, we intend to complete the cloud migration across all areas of our business, allowing us to move our care schemes to improved and lower cost broadband.

To ensure Octavia's commitment to secure systems, we gained accreditation for Cyber Essentials Plus in November 2021.

Data governance and quality

Our focus throughout the last year has been to improve how we manage data and create smarter reporting across Octavia – supporting our modern and engaging objective.

Investment in the Data and Analytics Team has seen us make progressive changes to our working systems.

Key milestones include:

- A review of the Octavia Property Portfolio. This ensured the quality of our data and legal documentation, supporting our business activities and the implementation of new processes to ensure accuracy of information over time.

Gained **Cyber Essential Plus** accreditation

- The development of a Business Scorecard, displaying a high-level overview of 45 Key Performance indicators including properties, colleague surveys, resident surveys and financial data.
- GDPR specific projects to increase data quality and protection, ensuring data policies are upheld and we minimise risks.

As part of our continuous commitment to improve and advance our technology, our focus for the coming year is to support the development of a modern data platform, to enable Octavia to continue to make informed decisions on high quality and protected data.


enterprise CarClub
CLIPSTONE
MEWS W1

Our finances

Risks and uncertainties

We have considered the top risks that may impact our ability to achieve our strategic objectives.

Organisational change

This year we moved forward with a new Target Operating Model (TOM) to ensure we are structured to deliver optimal impact to our customers. In doing so, we recognised that this period of considerable change brought its own set of risks, so we have prioritised ensuring continued stability and quality of services.

We have actively engaged with staff to co-design how we work and, through strategic planning, been realistic on the pace of change. Post-lockdown, we have adapted to new ways of working with a hybrid home/office model, now established without compromising delivery of our services. We continue to assess and manage the impact of organisational changes and wider economic pressures on our staff and prioritise their wellbeing.

Economic environment

There are many challenges facing the sector which are likely to continue in the coming years. These include the rising cost of living, increased fire safety requirements, net zero carbon investment and the requirements of the Social Housing White Paper, as well as climate change and the potential impact of this on our homes.

In addition to the devastating human impact of the war in Ukraine, the impact on the global economy brings further inflationary pressures. We are particularly mindful of the current risks of supplier failure and are working to reduce our exposure by identifying potential vulnerability points and building contingency plans to ensure continuity of key services to our residents.

Health and safety

As part of our new Target Operating Model (TOM), this year we have created a corporate Health and Safety Framework, owned by the newly formed Corporate Operations Directorate, which is working across the whole of Octavia to promote and ensure our duty of care as a landlord and an employer.

We continue to feel the impact of the Covid pandemic, and just as it has moved to a new phase of containment, so has our management of associated risks. To further protect vulnerable residents, we have continued to strengthen risk controls, including the introduction of a standard operating procedure for infection control in schemes. There has been a significant focus on safeguarding, and we conducted an internal audit of this area to further strengthen controls.

Building safety

We are prepared for revised building safety legislation following the Building Safety Bill receiving Royal Assent on 28 April 2022. A project group will be formed, and monitored as part of the central business masterplan, ensuring a clear focus on the implementation of the requirements for all UK housing providers. Our compliance with all aspects of landlord health and safety is overseen by the Estates Committee, Audit and Risk Committee and the Board.

Internal systems of control

We have continued to review our internal controls as a key aspect of risk management.

Cyber security remains a key focus due to the war in Ukraine. The Audit and Risk Committee conducted a 'deep dive' to scrutinise and challenge current controls; including the multiple layers of defence in place, and review the planned implementation of a 24/7 SOCaas (Security Operation Centre as a Service) which will give early warning of emerging attacks.

We have reviewed our systems for financial control and planning and, as part of the new Target Operating Model, have introduced new senior roles to lead these critical areas of internal delivery. Prevention of fraud is a key priority for all housing associations and a new risk for this area was added this year. Fraud prevention controls are under constant review and a range of new controls are being introduced, including enhanced training for our staff. We have also added a new risk on insurance management to recognise the very tough insurance landscape for housing associations as we feel the increasing effect of climate change, as demonstrated by the flash flooding affecting a number of Octavia properties in July 2021.

Internal controls, corporate risks and assurance processes are overseen by the Audit and Risk Committee and the Board.

Finance and governance

Octavia has over 5,300 homes, many in some of the most desirable and highest property value areas of London. We combine our financial strength with a commitment to increase the number 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 ratings 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 3. In 2021/22, the operating surplus increased by 2.2% to £9.4m (£9.2m in 2020/21).

Material adjustments that impacted the operating surplus were impairment charges of £0.691m in respect of Featherstone Road and Chiswick Village land banks which improves their viability for redevelopment as well as abortive costs of £0.14m related to the Upper Tooting Road scheme which has been cancelled due to planning issues. Upsides were £0.56m revaluation gain on commercial properties and £0.2m additional surplus from staircasing due to higher yield than forecast and £0.16m additional surplus from disposals of existing properties through auction.

The overall surplus for 2021/22 was £1.7m, up from £1.3m recorded in the previous year. This is after net interest charges of £8.4m and gain on investment in 2021/22 of £0.7m.

The above results were achieved in an environment of lower property completions and sales due to the Covid pandemic and property service costs being £0.6m above forecast due to statutorily mandated fire related spend.

Internal controls, corporate risks and assurance processes are overseen by the Audit and Risk Committee and the Board.

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 an independent valuation of our General Needs housing property portfolio by Jones Lang LaSalle (JLL) at 31 March 2022 (refer to Figure 4 and note 14 of these financial statements).

This valuation indicates an average vacant possession value for General Needs properties of approximately £550,000 (2020/21: £507,000) and around £489,000 (2020/21: £497,000) across the whole portfolio, including shared ownership homes and supported housing.

Figure 3

	2021/22 £m	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m
Turnover (excluding donations)	**60.9**	54.9	58.7	58.7	66.4
Cost of sales	**(3.2)**	(2.6)	(5.2)	(10.0)	(7.5)
Operating costs	**(51.1)**	(46.0)	(44.0)	(38.8)	(36.8)
Surplus on property disposals	**2.8**	2.9	3.0	2.8	1.9
Operating surplus	**9.4**	**9.2**	**12.5**	**12.7**	**24**
Net interest payable	**(8.4)**	(8.3)	(7.5)	(5.7)	(12.5)
Interest breakage costs	**-**	-	-	(0.5)	-
Revaluation of investments	**0.7**	0.4	3.7	-	-
Surplus for the year	**1.7**	**1.3**	**8.7**	**6.5**	**11.5**
Borrowings	**278**	236	222	211	190
Housing owned/managed (number of homes)	**5,313**	5,241	5,087	5,013	4,832

Figure 4

	2022 £m	2021 £m
Open market value with vacant possession	**2,657**	2,504
Market value subject to existing tenancies	**1,361**	1,269
Existing use value for social housing	**626**	581
Estimated annual market rent of General Needs social rented portfolio	**86**	89
Actual annual rent roll of General Needs social rented portfolio	**26**	25

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 revised financial plan envisages spending £40m on these works over the next five years. As at the end of 2021/22, we have extended our stock condition survey activity so that by March 2023 we would complete 100% of the housing stock survey with improvements planned over a five-year period.

In addition to the housing property portfolio, Octavia has commercial properties held in the balance sheet at a valuation of £15.4m, based on an open market value in March 2022 by JLL (these properties are revalued professionally annually). 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 £86m per annum, against the rents actually charged in the financial year of £26m. The difference of £60m 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. 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 £189m 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.

Value for money

Octavia's Value for Money (VfM) Framework aims to maximise efficiency and effectiveness by embedding VfM into our working culture and optimising the customer experience, whilst keeping to our values and staying true to 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 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 2021/22, we have made use of Sector Scorecard metrics. We use benchmarking as an indicator of our performance against a handpicked group of peers and we review trends in our performance. For all peer organisations, metric scores are sourced from their 2021 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 5,300 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. Although the costs of cladding works are covered by grant, the costs of waking watches are not covered and this year we have spent almost £2.8m on cladding and fire related work. Without this, our SH-CPU would come down to £7,896, in line with last year's results. The median SH-CPU for our peer group was £6,644, 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.

Our operating margin and performance across the metrics have been impacted by lower sales than expected as the volatile nature of the economy continues to impact the market, together with impairment on land as we refocus on land-led developments. This is in combination with lower than planned spend on new developments due to unavoidable delays, which has impacted our EBIT DA MRI interest cover, as there has been less opportunity to capitalise our interest costs.

We remain committed to reinvesting in the communities we serve and this year we spent nearly £1m on this important work, slightly under what we had planned due to Covid pressures curtailing some of our plans. 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.

Our investment in homes is an improvement compared with last year and outperforms our peers. This demonstrates our commitment to building more homes and maintaining quality homes. Compared with last year, our delivery of new homes has improved significantly. This is mainly due to slippages in the delivery of schemes from last year being completed this year.

Our return on capital employed is below last year, but excluding impairment comes back 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.

2022/23 is the first year of the new Target Operating Model going live. Through this new way of organising ourselves, together with a targeted focus on delivering greater value for money through procurement and supplier management, refreshed financial controls and reporting, greater customer engagement and a culture of continuous improvement, we aim to improve our performance next year and beyond.

Figure 5 – Value for money comparison

Regulatory metrics	Actual group 21/22	Actual group 20/21	Peers Group median 20/21
Metric 1 Reinvestment	**8.4%**	5.4%	5.8%
Metric 2a New supply (social housing units)	**4.2%**	0.5%	1.3%
Metric 2b New supply (non-social housing units)	**0.00%**	0.00%	0.00%
Metric 3 Gearing	**44.0%**	40.0%	43.9%
Metric 4 EBITDA MRI interest rate cover	**82.4%**	78.4%	182.5%
Metric 5 Headline social housing cost per unit	**£8,423**	£8,073	£3,731
Metric 6a Operating margin (social housing lettings only)	**21.6%**	25.8%	26.3%
Metric 6b Operating margin (overall)	**10.9%**	12.2%	23.9%
Metric 7 Return on capital employed	**1.5%**	1.7%	3.3%

Figure 6 – Value for money targets

Metrics	Actual group 21/22	Target group 21/22	Target group 21/22	Target group 22/23
Metric 1 Reinvestment	**8.4%**	**12.0%**	6.8%	6.8%
Metric 2a New supply (social housing units)	**4.2%**	**4.0%**	2.7%	2.7%
Metric 2b New supply (non-social housing units)	**0.0%**	**0.00%**	0.07%	-
Metric 3 Gearing	**44.1%**	**44.9%**	46.1%	46.1%
Metric 4 EBITDA MRI interest rate cover	**82.4%**	**139.1%**	102.6%	102.6%
Metric 5 Headline social housing cost per unit	**£8,422**	**£7,990**	£6,822	£6,822
Metric 6a Operating margin (social housing lettings only)	**20.7%**	**24.7%**	28.4%	28%
Metric 6b Operating margin (overall)	**10.7%**	**17.4%**	19.7%	20%
Metric 7 Return on capital employed	**1.5%**	**2.2%**	2.3%	2.3%

Figure 7 – Interest rate fixing by maturity

Rate fixing period	Target	At 31 March 2022	At 31 March 2021
Fixed for more than 10 years	At least 40%	**72%**	84%
Fixed for more than 1 year but less than 10 years	Between 10% and 30%	**13%**	11%
Variable/ less than one year	Less than 25%	**16%**	5%

Capital structure and treasury

As a Co-operative and Community Benefit Society and an exempt charity, Octavia does not have access to equity capital. As such, 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 in nature.

During the year, gross borrowings increased from £236m to £279m. As of 31 March 2022, headroom available on fully secured borrowing facilities was £50m, (£96m, 31 March 2021), which were available to draw immediately. The total Group committed facilities are £330m (£333m, 31 March 2021).

Details of interest rate fixing by maturity at 31 March 2022 are given in Figure 7.

The proportion of floating rate debt has increased during the year to 31 March 2022 to 16% (5%, 31 March 2021), as funding was drawn down on a 'just in time basis' under our revolving credit facilities in order to finance housing developments and working capital requirements.

The current loan facilities will enable us to complete all contractually committed development schemes.

The Treasury Strategy is reviewed annually by the Board. The Board regularly monitors compliance with loan covenants. At 31 March 2022, the position in respect of the two main covenants was as follows:

- Interest cover 1.43% (lowest permitted level 110%)
- Gearing 47% (highest permitted level 80% EUV-SH basis)

At the end of the year, 63% (64%, 31 March 2021) 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 – Professional valuation of our different class of housing assets by Jones Long LaSalle (JLL) showed that 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 two land-led developments at Chiswick Village and Featherstone Road Southall, where current valuations indicate an impairment of £0.691m against the carrying amount of cost to date.

Provisions – FRS 102 requires valuations of freestanding financial derivatives to be included on the balance sheet. We have used the valuations provided by the independent organisation, Chatham Financial. As our one freestanding financial derivative is treated as a 95% 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 now valued on 31 March every year (previously every three years) at fair value by an independent valuer. The latest valuation was carried out in March 2022 by JLL and valued the properties at £15.4m. The gain in value of £0.6m has been reported in the Statement of Comprehensive Income. At the time of this report there is no evidence that the sentiment of the market has changed due to the impact of the war in Ukraine and Covid-19, and as such the valuation is not subject to material valuation uncertainty. Further details can be found at Note 16 of the financial statements.

Defined benefit pension scheme – The Group participated in the Social Housing Pension (SHP) Defined Benefits Scheme managed by the Pensions Trust until 31/3/2022. Following a Board decision and a required consultation process, the remaining active members of the Scheme have been transferred to a Defined Contribution scheme and the Defined Benefit scheme is now closed. TPT has provided sufficient information in relation to our share of SHPS for the period ended 31 March 2022. This has resulted in a net defined benefit gain being reported in the Balance Sheet, with corresponding movements through the Statement of Comprehensive Income. The valuation of the scheme assets and liabilities has been carried out by qualified actuaries.

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:

- 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.
- Octavia Development Services Limited, which develops social housing for Octavia on a design and build basis. This is currently dormant.
- Octavia Foundation, a registered charity which fundraises to provide community support in central and west London, often to Octavia residents.
- Octavia Hill Limited, a registered subsidiary which is currently dormant.

Corporate governance

Octavia is governed by a Board which currently comprises nine non-executives (one of whom is a resident) plus the Chief Executive Officer (these are listed on page 3 in this report). Each non-executive Board member holds one fully paid share. Octavia fully complies with the National Housing Federation Code of Governance 2020.

The day-to-day operational responsibility for Octavia is delegated to our Executive Team, which comprises the Chief Executive and Executive Directors of Customer & Community Services, Finance Governance & Assurance, Development Sales & Asset Management and Corporate Operations.

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 matters including landlord health and safety
- Services Committee – housing and care services including responsive repairs and voids, the communities programme and fundraising activities undertaken via the Octavia Foundation
- Corporate Committee – technology, people and culture, corporate health and safety, value for money and governance matters
- Finance Committee – finance and treasury matters; and
- Audit and Risk Committee – assurance, audit and risk management matters, compliance, and health and safety

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:
Rosalind Stevens
Retirement Date:
14 March 2022
Role:
Non-Executive Group Board Member

Assessment of the effectiveness of internal controls

Our Governance framework comprises the systems and processes, culture and values for the direction and control of the Group and its activities. The Internal control environment is an integral part of this. It is designed to provide the correct level of assurance and to manage risk to a reasonable level. However, it cannot eliminate all risk.

Assurance is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. On an annual basis the Board considers and provides a statement as to the internal control and assurance environment as part of its financial accounts. This is informed by the Chief Executive's Statement of Internal control.

This report of the Board has been based on this statement.

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

- A robust business planning framework and 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.
- Robust financial management procedures are in place including quarterly forecasting and stress-testing; a Treasury Management Policy and the adoption of early warning indicators to ensure that we continue to assess our financial viability
- 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
- A Risk Management Framework that incorporates a Corporate Risk Map owned by the Board, linked functional risk registers covering all services and significant projects, and an annual review of risk appetite by the Board
- A risk review process, incorporating quarterly reviews of directorate risks by owning teams with oversight from the Executive Team
- A programme of committee-led 'deep dives' into specific corporate risk areas to support proactive response
- A programme of internal audit work driven by the corporate risk register, which is reported regularly to the Audit and Risk Committee and annually to the Board
- A policy framework that is owned and continually developed by subject matter experts at Octavia
- 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, Capital Investment Group, Executive Team and the Group Board

There is a significant emphasis on the Board's internal control responsibilities regarding fraud. Octavia's anti-fraud policy expresses a commitment to the highest ethical standards.

Compliance with the RSH Governance and Financial Viability Standard

Following the In-Depth Assessment (IDA) review by the Regulator of Social Housing (RSH) during 2021, Octavia's financial grade remains V2. 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.

The IDA confirmed Octavia's governance rating as G1, meeting the governance requirements. The full narrative of the Regulatory judgement that followed the IDA was published by the RSH on 24 November 2021.

(www.gov.uk/government/publications/regulatory-judgement-octavia-housing/current-regulatory-judgement-octavia-housing-24-november-2021).

Regulatory compliance

The Regulator of Social Housing (RSH) requires housing associations to provide an annual assurance statement on their internal control systems, to assess their compliance with its Governance and Viability Standard at least once a year, and for the Board to certify compliance in their Annual Financial Statements.

We have reviewed our compliance with the RSH Governance and Financial Viability Standard in the period from 1 April 2021 to 31 March 2022. 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.

Going concern

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

- Internal monitoring structures remain strong, with monitoring frequency of all operational parameters at increased levels including at committee and board level throughout the past 12 months.
- The external environment is expected to remain challenging, but Octavia is well placed to meet these challenges from a continued position of strength. Risk management arrangements have been strengthened with financial thresholds reduced, to respond to the increased volatility in the sector and economy generally.

The most recent business plan was approved on 22 July by the Board. Work undertaken confirmed that the Group can remain covenant compliant under all but the most severe stress tests and has early warning, as well as mitigation mechanisms in place, to return the business plan to covenant compliance for the most severe stress scenarios should they arise.

That said, the Group has not been in a stress scenario over the past 12 months and its early warning indicators do not forecast it entering any of its stress scenarios in the foreseeable future.

The Board has reviewed:

- the Group and Association budgets for 2022/23; and
- the Group's medium term financial position, as detailed in the cash flow forecasts and 30-year business plan (including changes arising as a result of the Covid-19 pandemic, inflationary environment due to the war in Ukraine driving high commodity prices and the need to undertake material building and fire safety related works in an evolving regulatory environment).

Taking account of severe but plausible downsides, the Board is of opinion that the Group and Association have adequate resources to continue to meet their liabilities over the foreseeable future; this being a period of at least 12 months after the date on which the report and financial statements are signed.

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 2022 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 23 August 2022, and covering the entire Annual report from pages 1 through to page 59.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for 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, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to Octavia Housing Group

Opinion

We have audited the financial statements of Octavia Housing Group ("the Group and Association") for the year ended 31 March 2022 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Changes in Reserves, the Group and Association Statement of Financial Position, the Group 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 2022 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 under, 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 Group and 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 their 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 their 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 and Association'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 directors, the Group's Audit and Risk Committee, internal audit and inspection of policy documentation as to the Group's high-level 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.

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 relating to non social housing streams, in particular 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 whether the judgements made in the accounting estimates are indicative of potential bias, including assessing the assumptions used in pension valuations and the value of housing stock held in current assets.

Identifying and responding to risks of material misstatement related to 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 and Association'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 and Community Benefit Societies, 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 provision.

We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law and certain aspects of company legislation 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.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Group and Association's Board is responsible for the other information, which comprises the Board's Annual Report and 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 Group and Association has not kept proper books of account; or
- the Group and Association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Group's and 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 59, the Group and 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 Group and 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

9 September 2022

Accounts

Financial tables
for the year ended
31 March 2022

Octavia Housing consolidated and association statements of comprehensive income

For the year ended 31 March 2022

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Turnover	4	**60,881**	54,907	**60,539**	54,565
Cost of sales	4	**(3,251)**	(2,602)	**(3,250)**	(2,734)
Operating costs	4	**(51,088)**	(46,029)	**(50,255)**	(44,125)
Surplus on property disposals	11	**2,816**	2,909	**2,816**	2,909
Movement in the fair value of investment properties	16	**559**	-	**559**	-
Operating surplus	4,7	**9,917**	9,185	**10,409**	10,615
Movement in fair value of investments	17	**156**	359	**-**	-
Interest receivable and similar income	12	**36**	57	**38**	18
Interest and financing costs	13	**(8,417)**	(8,350)	**(8,417)**	(8,350)
Surplus for the year		**1,692**	1,251	**2,030**	2,283
Movement in fair value of hedged financial instrument	25	**1,487**	1,693	**1,487**	1,693
Actuarial gains / (losses) on defined benefit pension plans	26	**415**	(1,537)	**415**	(1,537)
Total comprehensive income for year		**3,594**	1,407	**3,932**	2,439

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 2022

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Fixed assets					
Tangible fixed assets - housing properties	14	**582,807**	543,089	**572,113**	532,385
Tangible fixed assets - other	15	**11,706**	11,760	**11,706**	11,760
Investment properties	16	**15,394**	14,835	**15,394**	14,835
Investments - other	17	**1,717**	1,674	**10**	10
		611,624	571,358	**599,223**	558,990
Current assets					
Inventories including properties for sale	18	**12,413**	10,343	**11,732**	9,850
Receivables – receivable within one year	19	**8,486**	6,092	**9,825**	6,811
Receivables – receivable after one year	19	**-**	-	**-**	-
Investments		**106**	11,570	**106**	11,570
Cash and cash equivalents		**20,224**	11,571	**20,010**	11,482
		41,229	39,576	**41,673**	39,713
Payables: amounts falling due within one year	20	**(24,342)**	(24,581)	**(24,395)**	(24,604)
Net current assets		**16,887**	14,995	**17,278**	15,109
Total assets less current liabilities		**628,511**	586,353	**616,501**	574,099
Payables: amounts falling due after more than one year	21	**(468,266)**	(428,999)	**(473,253)**	(434,080)
Net assets excluding pension liability		**160,245**	157,354	**143,248**	140,019
Pension - defined benefit liability	26	**(1,889)**	(2,592)	**(1,889)**	(2,592)
Net assets		**158,356**	154,762	**141,359**	137,427
Capital and reserves					
Called up share capital	27	**0**	0	**0**	0
Restricted reserve		**9,670**	9,760	**9,670**	9,760
Income and expenditure reserve		**151,183**	148,986	**134,186**	131,651
Cash flow hedge reserve		**(2,497)**	(3,984)	**(2,497)**	(3,984)
		158,356	154,762	**141,359**	137,427

The financial statements were approved by the Board of Directors and authorised for issue on 23 August 2022.

S Katwala Chairman

I Bacon Company 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 2022

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 2020	(5,677)	9,850	149,182	153,355
Surplus 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 losses on defined benefit pension plans	-	-	(1,537)	(1,537)
Balance at 31 March 2021	(3,984)	9,760	148,986	154,762
Surplus/ (deficit) for the year	-	-	1,692	1,692
Transfer between restricted and unrestricted reserves	-	(90)	90	-
Movement in fair value of hedged financial instrument	1,487	-	-	1,487
Actuarial Gains/(losses) on defined benefit pension plans	-	-	415	415
Balance at 31 March 2022	**(2,497)**	**9,670**	**151,183**	**158,356**

Octavia Housing association statement of changes in reserves

For the year ended 31 March 2022

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 2020	(5,677)	9,850	130,815	134,988
Surplus 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 losses on defined benefit pension plans	-	-	(1,537)	(1,537)
Balance at 31 March 2021	(3,984)	9,760	131,651	137,427
Surplus for the year	-	-	2,030	2,030
Transfer between restricted and unrestricted reserves	-	(90)	90	-
Movement in fair value of investment properties				
Movement in fair value of hedged financial instrument	1,487	-	-	1,487
Initial recognition of multi-employer defined benefit scheme	-	-	-	-
Actuarial Gains/(losses) on defined benefit pension plans	-	-	415	415
Balance at 31 March 2022	**(2,497)**	**9,670**	**134,186**	**141,359**

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 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Surplus for the financial year		**1,692**	1,251
Adjustments for			
Gain on business combination		**-**	-
Accelerated depreciation on components		**124**	169
Depreciation of fixed assets - housing properties	14	**7,280**	7,185
Depreciation of fixed assets - other	15	**1,307**	1,114
Impairment		**691**	272
Amortised grant	5	**(2,148)**	(2,154)
Interest payable and finance costs	13	**8,417**	8,350
Interest receivable	12	**(36)**	(57)
Movement in value of investments		**(156)**	(11,929)
Movement in the fair value of investment properties		**(559)**	-
Movement in trade and other debtors		**(2,394)**	(427)
Movement in stocks			(1,290)
Movement in pension creditor		**(314)**	-
Movement in grant creditors		**-**	(1,434)
Movement in trade & other creditors		**(815)**	(3,154)
Sale of fixed assets - cost element		**1,251**	1,503
Net cash generated from operating activities		**14,340**	(601)
Cash flows from investing activities			
Purchase of fixed assets - housing properties	14	**(49,596)**	(24,463)
Purchases of fixed assets - other	15	**(1,253)**	(1,212)
Cash acquired with subsidiary		**-**	-
Movement in Short term deposits	14	**-**	-
Receipt of grant		**768**	6,844
Interest received	12	**36**	57
Proceeds from sale of investments		**11,564**	370
Net cash outflow from investing activities		**(38,481)**	(18,404)
Cash flows from financing activities			
Interest and breakage paid	13	**(9,852)**	(9,046)
Finance costs		**-**	-
New loans - bank	24	**42,646**	-
New loans - other	24	**-**	20,003
Repayment of loans - bank	24	**-**	(5,978)
Repayment of loans - other	24	**-**	-
Net cash generated by financing activities		**32,794**	4,979
Net Increase in cash and cash equivalents		**8,653**	(14,026)
Cash and cash equivalents at beginning of year		**11,571**	25,597
Cash and cash equivalents at end of year		**20,224**	11,571

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 2021.

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 Board has assessed the Association's ability to continue as a going concern. The Board has noted that the projected cash flow from operations and sales, taken together with undrawn and secured loan facilities, exceed the projected cash requirements for operating expenditure and capital investment for at least the next eighteen months. The most recent business plan was approved by the Board on 22 July 2022. The Board has noted that business planning projections indicate that Octavia should be operating comfortably within its loan covenant restrictions for that period. Work undertaken confirmed that the Group can remain covenant compliant under all but the most severe stress tests and has early warning, as well as mitigation mechanisms in place, to return the business plan to covenant compliance for the most severe stress scenarios should they arise. Accordingly, the Board continues to consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

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
The Group participated in the Social Housing Pension (SHP) Defined Benefits Scheme managed by the Pensions Trust until 31/3/2022. Following a Board decision and a required consultation process the remaining active members of the Scheme have been transferred to a Defined Contribution scheme and the Defined Benefit scheme is now closed.

This was 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 participates 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.

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

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.

2 Accounting policies (continued)

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.

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

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 metres).

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 options 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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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.

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.
- 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 in particular the allocation of costs for shared ownership homes 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

- Contingent liabilities (see note 28)

Octavia is undertaking intrusive surveys across 46 properties. Twelve were completed before year end, with the remaining 34 having estimated completion dates in Q1 and Q2 2022/23. Work is ongoing to evaluate suggested recommendations, particularly cost and scope for remedial works. The requirement to replace cladding, and therefore the costs of meeting this obligation and the potential claims against others in relation to this, makes it problematic at this stage to generate reliable estimates of any potential liabilties.

- 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.

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

- Investment Properties (see note 16)

Investment properties were professionally valued at 31 March 2022 using a rent capitalisation methodology (i.e. rent and yield approach) coupled with an assessment of what an owner-occupier might pay on a £ per sq ft basis, to arrive at values. This is with reference to respective rental and capital value market data / sentiment. The valuers obtained yield, capital value and rental data from commercial agents, auction sale data and commercial property databases. In respect of rental value, they have used the floor areas provided to ascertain whether the passing rent is rack rented, over rented or reversionary and applied their research on rental values to the subject properties.

- 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.

- Events after the reporting date

FRS 102 which underpins the housing SORP, governs the recognition and disclosure requirements for events after the reporting date. For entities applying, section 1A of FRS 102, 1AC.39 requires:

The nature and financial effect of material events arising after the reporting date which are not reflected in the income statement or statement of financial position, must be stated.

On the basis of above, the following post balance sheets events are disclosed:

- Octavia Housing has provided an intercompany loan of £0.88m to Octavia Living (see note 31). The Loan is due for settlement at the end of December 2022. Octavia Living is in the process of selling an asset (Cochrane Mews) for £1.15m. A portion of the proceeds from the sale will be used settle this obligation.
- Octavia Housing is owed £0.57m by Octavia Foundation which is a subsidiary. After the reporting date, the Board of the Foundation approved to liquidate £0.98m of CCLA investment to defray the outstanding liability.

We have treated both events as non adjusting because there was no outflow of economic benefit at the reporting date.

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

Group Year ended 31 March 2022	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	**44,027**	**-**	**(37,218)**	**-**	**6,809**
Other social housing activities					
First tranche low cost home ownership sales	**4,377**	**(3,251)**	**-**	**-**	**1,126**
Supporting people	**-**	**-**	**(270)**	**-**	**(270)**
Student accommodation	**2,053**	**-**	**(253)**	**-**	**1,800**
Impairment	**-**	**-**	**(691)**	**-**	**(691)**
Other	**6,981**	**-**	**(9,939)**	**2,816**	**(142)**
	57,438	**(3,251)**	**(48,371)**	**2,816**	**8,632**
Activities other than social housing activities					
Market rents	**-**	**-**	**-**	**-**	**-**
Rents on investment properties	**825**	**-**	**(394)**	**-**	**431**
Outright sales	**-**	**-**	**-**	**-**	**-**
Other	**2,618**	**-**	**(2,323)**	**-**	**295**
	3,443	**-**	**(2,717)**	**-**	**726**
	60,881	**(3,251)**	**(51,088)**	**2,816**	**9,358**

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 activities					
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

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

Association Year ended 31 March 2022	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	44,088	-	(37,209)	-	6,879
Other social housing activities					
First tranche low cost home ownership sales	4,377	(3,250)	-	-	1,127
Supporting people	-	-	(270)	-	(270)
Student accommodation	2,053	-	(253)	-	1,800
Impairment	-	-	(691)	-	(691)
Other	6,578	-	(8,706)	2,816	688
	57,096	(3,250)	(47,129)	2,816	9,533
Activities other than social housing activities					
Market rents	-	-	-	-	-
Rents on investment properties	825	-	(394)	-	431
Outright sales	-	-	-	-	-
Other	2,618	-	(2,732)	-	(114)
	3,443	-	(3,126)	-	317
	60,539	(3,250)	(50,255)	2,816	9,850

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

5 Income and expenditure from social housing lettings

Group	General needs £'000	Supported housing £'000	Keyworker £'000	Low cost home ownership £'000	Total 2022 £'000	Total 2021 £'000
Income						
Rents net of identifiable service charges	25,904	1,491	2,837	2,836	**33,068**	31,789
Service charge income	2,668	1,363	58	1,313	**5,402**	5,371
Amortised government grants	2,001	121	-	26	**2,148**	2,154
Net rental income*	30,573	2,975	2,895	4,175	**40,618**	39,314
Government grants taken to income	-	2	-	-	**2**	-
Donation from third parties	-	-	-	-	**-**	-
Fee income for care and support	-	3,332	-	-	**3,332**	3,360
Other Income	-	30	-	45	**75**	162
Turnover from social housing lettings	30,573	6,339	2,895	4,220	**44,027**	42,836
Expenditure						
Management	6,657	1,177	69	505	**8,408**	7,402
Service charge costs	4,988	-	4	1,221	**6,213**	10,221
Routine maintenance	8,348	113	132	10	**8,603**	6,563
Planned maintenance	2,063	-	-	-	**2,063**	2,112
Major repairs expenditure	531	-	-	-	**531**	742
Bad debts	(157)	-	-	-	**(157)**	(3)
Depreciation of housing properties:	-	-	-	-	**-**	-
- annual charge	7,039	240	-	-	**7,279**	7,191
- accelerated on disposal of components	124	-	-	-	**124**	169
Other costs	-	4,154	-	-	**4,154**	-
Operating expenditure on social housing lettings	29,593	5,684	205	1,736	**37,218**	34,397
Operating surplus on social housing lettings	980	655	2,690	2,484	**6,809**	8,439
* Net rental income is stated net of void losses of	(283)	(177)	(57)	(269)	**(786)**	491

5 Income and expenditure from social housing lettings (continued)

Association	General needs £'000	Supported housing £'000	Keyworker £'000	Low cost home ownership £'000	Total 2022 £'000	Total 2021 £'000
Income						
Rents net of identifiable service charges	25,871	1,491	2,837	2,836	**33,035**	31,750
Service charge income	2,668	1,363	58	1,313	**5,402**	5,371
Amortised government grants	2,095	121	-	26	**2,242**	2,244
Net rental income*	30,634	2,975	2,895	4,175	**40,679**	39,365
Government grants taken to income	-	2	-	-	**2**	-
Donation from third parties	-	-	-	-	**-**	-
Fee income for care and support	-	3,332	-	-	**3,332**	3,360
Other Income	-	30	-	45	**75**	162
Turnover from social housing lettings	30,634	6,339	2,895	4,220	**44,088**	42,887
Expenditure						
Management	6,657	1,177	69	505	**8,408**	7,401
Service charge costs	4,988	-	4	1,221	**6,213**	10,220
Routine maintenance	8,348	113	132	10	**8,603**	6,563
Planned maintenance	2,063	-	-	-	**2,063**	2,112
Major repairs expenditure	531	-	-	-	**531**	742
Bad debts	(157)	-	-	-	**(157)**	(3)
Depreciation of housing properties:						
- annual charge	7,030	240	-	-	**7,270**	7,179
- accelerated on disposal of components	124	-	-	-	**124**	169
Other costs	-	4,154	-	-	**4,154**	-
Operating expenditure on social housing lettings	29,584	5,684	205	1,736	**37,209**	34,383
Operating surplus on social housing lettings	1,050	655	2,690	2,484	**6,879**	8,504
* Net rental income is stated net of void losses of	(283)	(177)	(57)	(269)	**(786)**	(491)

6 Units of housing stock

	Group 2022 Number	Group 2021 Number	Association 2022 Number	Association 2021 Number
General needs housing:				
- Social	**3,284**	3,287	**3,279**	3,281
- Affordable	**527**	467	**527**	467
Low cost home ownership	**507**	479	**507**	479
Supported housing	**247**	280	**247**	280
Keyworker accommodation	**170**	167	**169**	167
Student accommodation	**144**	125	**144**	125
Housing for older people	**137**	137	**137**	137
Total social housing units	**5,016**	4,942	**5,010**	4,936
Leaseholder management	**297**	296	**297**	296
Market rent	**-**	-	**-**	-
Total owned	**5,313**	5,238	**5,307**	5,232
Accommodation managed for others	**-**	-	**6**	6
Units managed by other associations	**(83)**	(85)	**(83)**	(85)
Total managed accommodation	**5,230**	5,153	**5,230**	5,153
Units under construction	**324**	319	**324**	319

6 Units of housing stock (continued)

Units of housing stock – movement in stock numbers

	Group 2021 Number	Additions 2022 Number	Disposals 2022 Number	Tenure Changes 2022 Number	Other 2022 Number	Group 2022 Number
General needs housing:						
- Social	3,287	-	(2)	(1)	-	**3,284**
- Affordable	467	28	-	32	-	**527**
Low cost home ownership	479	36	-	(8)	-	**507**
Supported housing	280	-	-	(33)	-	**247**
Keyworker accommodation	167	15	-	(12)	-	**170**
Student accommodation	125	1	-	18	-	**144**
Housing for older people	137	-	-	-	-	**137**
Total social housing units	4,942	80	(2)	(4)	-	**5,016**
Leaseholder management	294	-	(1)	4	-	**297**
Total owned	5,236	80	(3)	-	-	**5,313**
Units managed by others	(83)	-	-	-	-	(83)
Total managed accommodation	5,153	80	(3)	-	-	**5,230**
Units under construction	319					**324**

7 Operating surplus

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
This is arrived at after charging				
Depreciation of housing properties:				
- annual charge and impairment (note 14)	**7,971**	7,457	**7,962**	7,445
- accelerated depreciation on replaced components	**124**	169	**124**	169
Total depreciation of housing properties	**8,095**	7,626	**8,086**	7,614
Depreciation of other tangible fixed assets (note 15)	**1,307**	1,114	**1,307**	1,114
Operating lease charges – land & building	**682**	842	**682**	842
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	**80**	74	**72**	66
- other fees	**22**	20	**-**	4

8 Employees

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**13,536**	13,134	**13,278**	12,688
Social security costs	**1,349**	1,291	**1,323**	1,249
Cost of SHPS defined benefit scheme (see note 26)	**465**	408	**465**	408
Cost of defined contribution scheme	**874**	864	**839**	833
	16,224	15,697	**15,905**	15,178

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 2022 Number	Group 2021 Number	Association 2022 Number	Association 2021 Number
Administration	**55**	58	**55**	58
Charity Shops	**19**	33	**19**	33
Marketing and Sales	**-**	3	**-**	1
Development	**12**	12	**12**	12
Foundation	**11**	10	**-**	-
Housing, Support and Care	**292**	266	**292**	266
	389	382	**378**	370

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 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Executive directors' emoluments	**830**	743	**830**	673
Amounts paid to non-executive directors	**38**	65	**38**	65
Contributions to Directors' pension schemes	**52**	57	**52**	50
	920	865	**920**	788

The total amount payable to the Chief Executive, who was also the highest paid director, in respect of emoluments was £157,751 CEO (2020-21 - £153,498). Pension contributions of £15,402 were made during the year (2021 - £15,288).

The terms of membership of the Social Housing Pension Scheme (SHPS) for the Chief Executive are identical to those of other members. All Directors are now members of the SHPS defined contributions scheme.

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

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
£60,000 - £69,999	12	8	8	9
£70,000 - £79,999	8	11	11	11
£80,000 - £89,999	4	8	7	6
£90,000 - £99,999	1	1	1	-
£100,000 - £109,999	2	-	-	1
£110,000 - £119,999	1	-	-	1
£120,000 - £129,999	-	3	3	3
£130,000 - £139,999	3	-	-	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	-	-	-	-
£160,000 - £169,999	-	1	1	-
£170,000 - £179,999	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
Sandeep Katwala	£12,000	✓					
Stephen Smith	£4,500	✓				✓	
Debbie Sorkin	£6,500	✓				✓	
Visakha Sri Chandrasekera	£6,500	✓					✓
Rosalind Stevens*	£4,500	✓		✓			
John Holman	£4,500	✓					✓
Hugh Thornbery	£6,500	✓		✓		✓	
Paul Williams	£6,500	✓	✓		✓		
Terrence Gallagher	£6,500	✓	✓		✓		
Sheila Fitzsimons	£4,500			✓			
Liz Curran**	£2,500		✓		✓		
Mike Stiff**	£2,500						✓
Gursharanjit Bains**	£2,500		✓		✓		

* Left on 14 March 2022 **Non Board Independent Committee Members

Total expenses paid to Board members in the year amounted to £119 (2020/21; £112). The expenses over £50 paid to Board member were as follows:

	Group 2022 £	Group 2021 £
Terrence Gallagher	**60**	-
John Holman	**59**	-
Paul Williams	**-**	112
	119	112

11 Surplus on property disposal

Group and Association	Shared ownership 2022 £'000	Other housing properties 2022 £'000	Total 2022 £'000	Total 2021 £'000
Housing Properties				
Disposal proceeds	**1,831**	**2,270**	**4,101**	4,411
Cost of disposals	**(959)**	**(230)**	**(1,189)**	(1,385)
Selling costs	**(3)**	**(31)**	**(34)**	(58)
Grant recycled (note 23)	**(33)**	**(29)**	**(62)**	(59)
Surplus on disposal of fixed assets	**836**	**1,980**	**2,816**	2,909

12 Interest receivable and income from investments

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest receivable from group undertakings	**-**	-	**34**	6
Interest receivable and similar income from third parties	**36**	57	**4**	12
	36	57	**38**	18

13 Interest payable and similar charges

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest payable on bank loans and overdrafts	**3,765**	3,801	**3,765**	3,801
Interest payable on other loans	**5,960**	5,263	**5,960**	5,263
Loan costs written off on bank loans & overdrafts	**143**	156	**143**	156
Loan costs written off on other loans	**24**	24	**24**	24
Cost of breaking fixed interest rates	**-**	-	**-**	-
Recycled capital grant fund	**-**	-	**-**	-
Net interest on defined beneift liability	**-**	27	**-**	27
Interest capitalised on construction of housing properties	**(1,475)**	(921)	**(1,475)**	(921)
	8,417	8,350	**8,417**	8,350
Other financing costs through other comprehensive income				
(Gain)/ loss on fair value of hedged derivative instruments	**(1,487)**	(1,693)	**(1,487)**	(1,693)
	6,930	6,657	**6,930**	6,657

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 2021	497,139	22,590	79,140	20,749	619,618
Additions					
- construction costs	-	28,291	-	15,835	44,126
- replaced components	877	-	-	-	877
- fire safety works	2,437	-	-	-	2,437
- energy improvements	979	-	-	-	979
Transfers from stock				580	580
Completed schemes	14,954	(14,954)	8,288	(8,288)	-
Change of tenure					-
Disposals:					
- properties	(961)	-	(316)	-	(1,277)
- replaced components	(957)	-		-	(957)
At 31 March 2022	**514,468**	**35,927**	**87,112**	**28,876**	**666,383**
Depreciation					
At 1 April 2021	75,752	-	-	-	75,752
Charge for the year	7,280	-	-	-	7,280
Eliminated on disposals:					
- replaced components	(833)	-	-	-	(833)
- properties	(91)	-	-	-	(91)
At 31 March 2022	**82,108**	**-**	**-**	**-**	**82,108**
Impairment					
At 1 April 2021	-	750	27	-	777
Charge for the year	691	-	-	-	691
Impairments in the year	-	-	-	-	-
At 31 March 2022	**691**	**750**	**27**	**-**	**1,468**
Net book value at 31 March 2022	**431,669**	**35,177**	**87,085**	**28,876**	**582,807**
Net book value at 31 March 2021	421,387	21,840	79,113	20,749	543,089

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 2021	485,177	22,591	79,024	20,749	607,541
Additions					
- construction costs	-	28,293	-	15,835	44,128
- replaced components	877	-		-	877
- fire safety works	2,437	-	-	-	2,437
- energy Improvements	979	-	-	-	979
Transfers from Stock	-	-	-	580	580
Acquisition of Properties					-
Completed schemes	14,954	(14,954)	8,288	(8,288)	-
Change of tenure	-	-	-	-	-
Disposals:	-	-	-	-	-
- properties	(961)	-	(316)	-	(1,277)
- replaced components	(957)	-	-	-	(957)
At 31 March 2022	**502,506**	**35,930**	**86,996**	**28,876**	**654,308**
Depreciation					
At 1 April 2021	74,012	-	-	-	74,012
Charge for the year	7,271	-	-	-	7,271
Eliminated on disposals:					
- replaced components	(833)	-	-	-	(833)
- properties	(91)	-	-	-	(91)
At 31 March 2022	**80,359**	**-**	**-**	**-**	**80,359**
Impairment					
At 1 April 2021	368	750	27	-	1,145
Released in the year	-	-	-	-	-
Impairments in the year	-	691	-	-	691
At 31 March 2022	**368**	**1,441**	**27**	**-**	**1,836**
Net book value at 31 March 2022	**421,779**	**34,489**	**86,969**	**28,876**	**572,113**
Net book value at 31 March 2021	410,797	21,842	78,997	20,749	532,385

14 Tangible fixed assets – housing properties (continued)

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
The net book value of housing properties may be further analysed as				
Freehold	**356,207**	354,114	**345,513**	343,410
Long leasehold	**222,293**	184,488	**222,293**	184,488
Short leasehold	**4,307**	4,487	**4,307**	4,487
	582,807	543,089	**572,113**	532,385
Interest capitalisation				
Interest capitalisation in the year	**1,475**	921	**1,475**	921
Cumulative interest capitalised	**6,811**	6,051	**6,811**	6,051
Rate used for capitalisation	**4.00%**	3.80%	**4.00%**	3.80%
Major repairs to properties and replaced components				
Expenditure to existing properties capitalised	**4,293**	4,520	**4,293**	4,520
Expenditure to income and expenditure account	**531**	742	**531**	742
	4,824	**5,262**	**4,824**	**5,262**
Total Social Housing Grant received or receivable to date is as follows				
Capital grants				
- deferred capital grant (note 22)	**189,263**	191,104	**194,344**	196,279
- amortised to the Statement of Comprehensive Income	**36,888**	34,646	**36,888**	34,646
Recycled capital grant fund (note 23)	**886**	425	**886**	425
Capital grant not recognised but due on disposal	**5,081**	5,175	**-**	-
	232,118	231,350	**232,118**	231,350

Impairment

During the current year, the Group and Association have considered the current valuations of our housing stock work in progress and identified two land led developments at Chiswick Village and Featherstone Road Southall, where current valuations indicate an impairment loss of £691k (2020/21: £272k) against the carrying amount of cost to date.

Properties charged as security

As at 31 March 2022 3,072 (2021: 2,980) properties with a book value of £205m (2021:£197.5m) 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 Jones Lang LaSalle (JLL) so that indicative information can be included in the Report of the Board. A summary of this valuation is as follows;

	2022 £'m	2021 £'m
Open market value with vacant possession	**2,657**	2,461
Market value subject to existing tenancies	**1,361**	1,313
Existing use value for social housing	**626**	602
Estimated annual market rent of general needs social rental portfolio	**1,095**	1,065
Actual annual rent roll of general needs social rental portfolio	**26**	25

On 24 February 2022, Russian forces entered Ukraine and conflict ensued. At the time this report was drafted the extent of the conflict and its longer-term impact were unknown. The conflict caused immediate volatility in global stock markets and consequences are increased cost and availability of energy and natural resources, particularly within Europe. There is a risk that the conflict could escalate and directly involve NATO countries. Sanctions have been imposed against Russia.

The impact on the property market outside of the immediate area affected by the conflict is as yet unknown and, at this stage, there is no evidence that transaction activity and the sentiment of buyers or sellers has changed. The market can therefore still be described as functioning, albeit still in the aftermath of the Covid-19 crisis. Accordingly, and for the avoidance of doubt, the valuations reported are subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

15 Other tangible fixed assets

Group and Association	Freehold buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 April 2021	11,047	53	8,431	19,531
Additions & other adjustments	-	-	1,253	1,253
Transfer to Investment properties	-	-	-	-
At 31 March 2022	**11,047**	**53**	**9,684**	**20,784**
Depreciation				
At 1 April 2021	(1,699)	(53)	(6,019)	(7,771)
Charge for the year	(144)	-	(1,163)	(1,307)
Transfer to investment properties	-	-	-	-
At 31 March 2022	**(1,843)**	**(53)**	**(7,182)**	**(9,078)**
Net book value				
At 31 March 2022	**9,204**	**-**	**2,502**	**11,706**
At 31 March 2021	9,348	-	2,412	11,760

16 Investment properties

Group and Association	2022 Total £'000	2021 Total £'000
Valuation		
At 1 April	**14,835**	14,835
Revaluation	**559**	-
At 31 March	**15,394**	14,835

The Group's investment properties comprise shops, garages and other property ancillary to its social housing portfolio. These are valued by external qualified professionals annually. The valuation undertaken by JLL at 31 March 2022 indicated a value of £15.4m.

16 Investment properties (continued)

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. Comments in Section 14 in relation to impact of the war in Ukraine and Covid apply equally.

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

Group and Association	2022 £'000	2021 £'000
Historic cost	**6,219**	6,219
Accumulated depreciation	**(2,526)**	(2,409)
	3,693	3,810

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	2022 and 2021 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

Octavia Foundation had an investment in a fund managed by CCLA which was valued at £1.72m at 31 March 2022 (31 March 2021: £1.67m).

During the year Octavia Foundation disposed of £0.1m of investments (2021: £0.4m).

18 Inventories including properties for sale

Group	First tranche shared ownership properties 2022 £'000	Outright market sales 2022 £'000	Total 2022 £'000	Total 2021 £'000
Housing work in progress	**9,625**	**681**	**10,306**	7,579
Completed housing properties for sale	**2,107**	**-**	**2,107**	2,764
	11,732	**681**	**12,413**	10,343

Association £'000	First tranche shared ownership properties 2022 £'000	Outright market sales 2022 £'000	Total 2022 £'000	Total 2021
Housing work in progress	**9,625**	**-**	**9,625**	7,086
Completed housing properties for sale	**2,107**	**-**	**2,107**	2,764
	11,732	**-**	**11,732**	9,850

19 Trade and other receivables

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Due within one year				
Rent and service charge arrears	**583**	1,322	**583**	1,322
Less: Provision for doubtful debts	**(143)**	(509)	**(143)**	(509)
	440	813	**440**	813
Amounts owed by group undertakings	**-**	-	**1,458**	782
Amounts held by lenders as security for borrowings	**521**	523	**521**	523
Other debtors	**5,642**	3,603	**5,523**	3,540
Prepayments and accrued income	**1,883**	1,153	**1,883**	1,153
	8,486	6,092	**9,825**	6,811

19 Trade and other receivables (continued)

Amounts owed by group undertakings includes £0.88m (2020/21: £0.55m) 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 Affordable Housing Finance (AHF) loan, which is held by AHF in a liquidity reserve fund.

Other amounts owed are £0.57m by Octavia Foundation comprising various intercompany transactions.

20 Trade and other payables: amounts falling due within one year

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Capital creditors	**3,604**	1,711	**3,604**	1,711
Loans and borrowings (note 24)	**1,020**	859	**1,020**	859
Accruals and deferred income (incl Holiday pay)	**2,474**	1,992	**2,435**	1,916
Deferred capital grant (note 22)	**2,196**	2,199	**2,290**	2,293
Other creditors	**1,440**	1,122	**1,440**	1,127
Trade creditors	**1,852**	390	**1,850**	390
Rent and service charges received in advance	**1,076**	1,786	**1,076**	1,786
Accrued interest	**1,858**	1,818	**1,858**	1,818
Leasehold repairs funds	**1,566**	1,283	**1,566**	1,283
Taxation and social security	**500**	469	**500**	469
Recycled capital grant fund (Note 23)	**-**	-	**-**	-
Social Housing Grant	**6,744**	10,944	**6,744**	10,944
Amount owed to group undertaking	**-**	-	**-**	-
Pension schemes	**12**	8	**12**	8
	24,342	24,581	**24,395**	24,604

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

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Loans and borrowings (note 24)	**277,777**	235,291	**277,777**	235,291
Interest rate swap – cash flow hedge	**2,537**	4,024	**2,537**	4,024
Deferred capital grant (note 22)	**187,066**	188,904	**192,053**	193,985
Recycled capital grant fund (note 23)	**886**	425	**886**	425
Pension schemes	**-**	30	**-**	30
Other Payables	**-**	325	**-**	325
	468,266	428,999	**473,253**	434,080

22 Deferred capital grant

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
At 1 April	**191,104**	186,695	**196,279**	191,964
Grants received during the year	**700**	6,903	**700**	6,903
Grants transferred from/(to) RCGF	**(455)**	(403)	**(455)**	(403)
Released to income during the year (note 20)	**(2,148)**	(2,244)	**(2,242)**	(2,244)
Other adjustments	**62**	153	**62**	59
At 31 March	**189,263**	191,104	**194,344**	196,279

Deferred capital grant of £2.2m (2020/21 - £2.2m) is due within one year, the amount due after one year is £187m (2020/21 - £188.9m).

23 Recycled capital grant

Group and Association **Funds pertaining to activities within areas covered by**	GLA 2022 £'000	GLA 2021 £'000
At 1 April	**425**	20
Inputs to fund		
Grant recycled from deferred capital grants	**395**	344
Grant recycled from Statement of Comprehensive Income	**62**	59
Interest accrued	**4**	2
Recycling of grant		
New build	**-**	-
At 31 March	**886**	425

The recycled capital grant fund due within 1 year is £0.45m (2021: £0.4m), the amount due after one year is £0.43m (2021: £0.0m).

24 Loans and borrowing

Maturity of debt:

Group and Association	Capital markets 2022 £'000	Bank loans 2022 £'000	Total 2022 £'000
In one year or less, or on demand	**10**	**1,010**	**1,020**
In more than one year but not more than two years	**5**	**22,517**	**22,522**
In more than two years but not more than five years	**47**	**11,321**	**11,368**
In more than five years - by instalment	**531**	**49,019**	**49,550**
In more than five years - by bullet	**167,347**	**26,990**	**194,337**
	167,940	**110,857**	**278,797**

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
In more than five years - by instalment	547	53,215	53,762
In more than five years - by bullet	167,323	4,991	172,314
	167,926	68,225	236,151

24 Loans and borrowing (continued)

Net debt reconciliation:

Group	Balance 1 April 2021 £'000	Cash flows £'000	Other non-cash £'000	31 March 2022 £'000
Cash at bank and in hand including investments	23,143	**(2,813)**	-	**20,330**
Bank loans	236,151	**42,646**	-	**278,797**
Net debt	259,294	**39,833**	-	**299,127**

Association	Balance 1 April 2021 £'000	Cash flows £'000	Other non-cash £'000	31 March 2022 £'000
Cash at bank and in hand including investments	23,052	**(2,936)**	-	**20,116**
Bank loans	236,151	**42,646**	-	**278,797**
Net debt	259,203	**39,710**	-	**298,913**

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 2.5060% and 12.435% or at variable rates calculated at a margin over the London Interbank Offered Rate.

At 31 March 2022 the Association had undrawn, secured and available loan facilities of £50.2m (March 2021 £95.5m).

25 Financial instruments

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

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Financial assets				
Financial investments measured at fair value	**1,717**	1,674	**-**	-
Total financial assets	**1,717**	1,674	**-**	-
Financial liabilities				
Derivative financial instruments designated as hedges of variable interest rate risk	**2,537**	4,024	**2,537**	4,024
Total financial liabilities	**2,537**	4,024	**2,537**	4,024

Financial assets measured at fair value comprise fixed asset investments. Financial liabilities 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 SONIA, 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 SONIA (though cash flows are settled on a net basis) and effectively fixing the total interest cost on loans and the interest rates swap at 3.51% per annum.

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 £2.5m (2020/21 £4.0m) 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 £1.5m (2020/21 was a credit of £1.7m) with almost all the entire charge being recognised in Other Comprehensive Income as the swap is a 95% effective hedge, as follows:

Association and Group	2022 £'000	2021 £'000
Negative fair value at 1 April	(3,984)	(5,677)
Change in fair value charged to Statement of Comprehensive Income	-	-
Change in fair value charged to cash flow hedge reserve	1,487	1,693
Negative fair value at 31 March	(2,497)	(3,984)

26 Pensions

Several pension schemes are operated by the Group:

Social Housing Pension Scheme - defined benefit pension scheme
The Group participated in the Social Housing Pension (SHP) Defined Benefits Scheme managed by the Pensions Trust until 31/3/2022. Following a Board decision and a required consultation process, the remaining active members of the Scheme have been transferred to a Defined Contribution scheme and the Defined Benefit scheme is now closed.

This was 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.

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 2020. 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.

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.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but given the current level of uncertainties, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

26 Pensions (continued)

	31 March 2022 £'000	31 March 2021 £'000
Present value of defined benefit obligation	**13,449**	13,798
Fair value of plan assets	**(11,521)**	(11,469)
Defined benefit liability	**1,928**	2,329

Present values of defined benefit obligation, fair value of assets and defined benefit liability
Reconciliation of movements in the defined benefit obligation

	31 March 2022 £'000	31 March 2021 £'000
Defined benefit obligation at 1 April	**13,798**	11,630
Current service cost	**76**	45
Expenses	**9**	9
Interest expense	**293**	273
Contributions by plan participants	**44**	49
Actuarial losses / (gains) due to scheme experience	**659**	(182)
Actuarial losses / (gains) due to changes in demographic assumptions	**(217)**	51
Actuarial losses / (gains) due to changes in financial assumptions	**(902)**	2,449
Benefits paid and expenses	**(311)**	(526)
Defined benefit obligation at end of period	**13,449**	13,798

Reconciliation of movements in the fair value of assets

	31 March 2022 £'000	31 March 2021 £'000
Fair value of plan assets at 1 April	**11,469**	10,426
Interest income	**247**	248
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	**(328)**	876
Contributions by the employer	**400**	396
Contributions by plan participants	**44**	49
Benefits paid and expenses	**(311)**	(526)
Fair value of plan assets at end of period	**11,521**	11,469

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £0.13m (2020/21: -£1.44m).

26 Pensions (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

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

	31 March 2022 £'000	31 March 2021 £'000
Current service cost	**76**	45
Expenses	**9**	9
Net interest expense	**46**	25
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	**131**	79

Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	**(328)**	876
Experience gains and losses arising on the plan liabilities - gain / (loss)	**(659)**	182
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	**217**	(51)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	**902**	(2,449)
Total amount recognised in other comprehensive income - gain (loss)	**132**	(1,442)

26 Pensions (continued)

Scheme assets

The schemes assets consist of the following:

	31 March 2022 £'000	31 March 2021 £'000
Global equity	**2,211**	1,828
Absolute return	**462**	633
Distressed opportunities	**412**	331
Credit relative value	**383**	361
Alternative risk premia	**380**	432
Fund of hedge funds	**-**	1
Emerging markets debt	**335**	463
Risk sharing	**379**	417
Insurance-linked securities	**269**	275
Property	**311**	238
Infrastructure	**821**	765
Private debt	**295**	274
Opportunistic illiquid credit	**387**	292
High yield	**99**	343
Opportunistic credit	**41**	314
Cash	**39**	-
Corporate bond fund	**769**	678
Liquid credit	**-**	137
Long lease property	**297**	225
Secured income	**429**	477
Liability driven investment	**3,215**	2,915
Currency hedging	**(45)**	
Net current assets	**32**	70
Total assets	**11,521**	11,469

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 2022 % per annum	31 March 2021 % per annum
Discount rate	**2.79**	2.14
Inflation (RPI)	**3.66**	3.30
Inflation (CPI)	**3.23**	2.85
Salary growth	**4.23**	3.85
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 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

The Growth Plan - defined benefit schemes

The Association participates in the Growth Plan, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The Scheme is a defined benefit scheme in the UK. It is not possible for the 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 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the Scheme as follows:

Deficit contributions

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

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

Note that the Scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the Scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2025:	£11,243,000 per annum	(payable monthly and increasing by 3% each on 1st April)

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 2022 £'000	31 March 2021 £'000
Provision at start of period	**33**	39
Unwinding of the discount factor (interest expense)	**-**	1
Deficit contribution paid	**(8)**	(8)
Remeasurements - impact of any change in assumptions	**-**	1
Remeasurements - amendments to the contribution schedule	**(20)**	-
Provision at end of period	**5**	33

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 2022 £'000	31 March 2021 £'000
Present value of defined benefit obligation	**1,548**	1,603
Fair value of plan assets	**(1,587)**	(1,340)
Defined benefit (asset)/liability	**(39)**	263

Reconciliation of movements in the defined benefit obligation

	31 March 2022 £'000	31 March 2021 £'000
Defined benefit obligation at 1 April	**1,603**	1,120
Current service cost	**55**	38
Interest expense	**32**	26
Contributions by plan participants	**7**	7
Actuarial (gains) /losses due to scheme experience	**2**	(8)
Actuarial losses / (gains) due to changes in demographic assumptions	**5**	(12)
Actuarial losses / (gains) due to changes in financial assumptions	**(139)**	399
Past service costs and curtailments	**(17)**	-
Benefits paid and expenses	**-**	**33**
Defined benefit obligation at end of period	**1,548**	1,603

26 Pensions (continued)

Reconciliation of movements in the fair value of assets

	31 March 2022 £'000	31 March 2021 £'000
Fair value of plan assets at 1 April	**1,340**	999
Interest income	**27**	24
Return on assets less interest	**202**	284
Contributions by the employer	**28**	27
Contributions by plan participants	**7**	7
Benefits paid and expenses	**(17)**	(1)
Fair value of plan assets at end of period	**1,587**	1,340

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

	31 March 2022 £'000	31 March 2021 £'000
Current service cost	**55**	71
Expenses	**-**	1
Net interest expense	**5**	2
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	**60**	74
Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	**202**	284
Experience gains and losses arising on the plan liabilities - gain / (loss)	**(2)**	8
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	**(5)**	12
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	**139**	(399)
Total amount recognised in other comprehensive income - gain (loss)	**334**	(95)

26 Pensions (continued)

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 17% (2020/21: 30.44%). The actual return on the fund over the year may be different.

The estimated asset allocation for Octavia as at 31 March 2022 is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Equities	**76**	80
Property	**6**	5
Bonds	**-**	14
Cash	**18**	1
Total assets	**100**	100

The following assumptions have been used in the pension calculations:

	31 March 2022 % per annum	31 March 2021 % per annum
Discount Rate	2.75	2.00
Pension increase	3.15	2.80
Salary Growth	4.15	3.80

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 31 March 2022	Life expectancy at age 65 31 March 2021
Current male pensioners	**21.4**	21.6
Current female pensioners	**24.1**	24.3
Future male pensioners	**22.9**	22.9
Future female pensioners	**22.9**	25.7

Projected pension expense for the year to 31 March 2022

Projected expense	31 March 2020 £'000	31 March 2020 £'000
Service cost	**50**	54
Net interest on the defined liability (asset)	**(1)**	5
Administrative expenses	**-**	1
Total loss	**49**	60
Employer contributions	**27**	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 2021 £	Issued £	Removed £	At 31 March 2022 £
44 Class “A” £1	45	-	(1)	**44**
5 Class "C" £5	30	-	(5)	**25**
As at 31 March	75	-	(6)	**69**

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

Other

Aside from the intrusive surveys noted in Section 3, we have assessed for other contingent liabilities which included writing to our solicitors and can confirm there were none at 31 March 2022.

29 Operating leases

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

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Amounts payable as a lessee				
Not later than 1 year	**715**	802	**715**	802
Later than 1 year and not later than 5 years	**2,365**	1,529	**2,365**	1,529
Later than 5 years	**302**	561	**302**	561
Total	**3,382**	2,892	**3,382**	2,892
Amounts receivable as a lessor				
Not later than 1 year	**655**	537	**655**	537
Later than 1 year and not later than 5 years	**2,123**	1,581	**2,123**	1,581
Later than 5 years	**3,760**	2,677	**3,760**	2,677
Total	**6,538**	4,795	**6,538**	4,795

The amounts payable as a lessee principally relate to rental obligations on charity shops. The lease for six Octavia Shops had expired at 31 March 2022 with negotiations ongoing for their renewal. We have assumed that leases will be extended for a minimum of five years.

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 2022 (2020/21: £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 2022 amounted to £151.4m (2021: £152.9m) and the annual rental being charged at that date was £2.4m (2021: £2.3m).

30 Capital commitments

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Commitments contracted but not provided for:				
Construction	**38,670**	77,188	**38,670**	77,188
Commitments approved by the Board but not contracted for:				
Construction	**-**	16,510	**-**	16,510
Maintenance	**5,571**	5,062	**5,571**	5,062
	44,241	98,760	**44,241**	98,760

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

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Social Housing Grant	**14,502**	13,471	**14,502**	13,471
Borrowings from existing secured facilities	**419**	41,622	**419**	41,622
Sales of properties	**23,749**	22,095	**23,749**	22,095
	38,670	77,188	**38,670**	77,188

Octavia has entered into a contract to replace the cladding at Elizabeth House. The works have a revised value of circa £14m (£12.8m in 2020/21).

The work is substantially complete with £6.8m expensed and £0.27m capitalised in 2021/22 (£7m expensed in 2020/21). These works are being mostly funded by Greater London Authority remediation grant of £11.32m. Where covered by grant, the costs are being written off to the Statement of Comprehensive Income as they are incurred. Any residual is assessed for treatment as capital or recurrent expense.

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	2022 £'000	2021 £'000
Octavia Living Limited		
Intra-group management fees	-	30
Interest	38	6
Total	38	36

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:

Payable by Association to subsidiaries	2022 £'000	2021 £'000
Octavia Living Limited		
Payments for acquisition of housing properties	-	4,044
Sales commissions and programme management income	116	281
Total	116	4,325

Pension schemes are related parties, for full details on transactions please refer to Note 26 of the financial statement.

31 Related party transactions (continued)

Octavia Housing made a donation of £nil (2021: £nil) to the Octavia Foundation, 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 also donates services (including Human Resources, IT and finance support) to the value of £36,269 in 2021/22 (2021: £36,000).

During 2021/22, Octavia Housing received gift aid donations from subsidiaries totalling £nil (2021: £858,000). Octavia Living made a gift aid donation of £nil (2021: £858,000); Octavia Development Services Limited donated £nil (2021: £nil).

Intra-group loans

Entity granting loan	Entity receiving loan	At 1 April 2021 £'000	Movement £'000	At 31 March 2022 £'000
Octavia Housing	Octavia Living Limited	548	335	**883**
Octavia Housing	Octavia Foundation	-	40	**40**
		548	375	**923**

This intra-group loan to Octavia Living is currently for a maximum amount of £1m, repayable on 30 December 2022, bearing interest currently at a rate of 4.65% with a non-utilisation fee of 1.65%. The loan is secured by a first fixed charge over land.

Balances outstanding from the subsidiaries

Payable to/(from) Association by subsidiaries:	2022 £'000	2021 £'000
Octavia Living Limited	**888**	548
Octavia Foundation	**570**	234
	1,458	782

After the reporting date, the following transactions have occurred which defray the reported amounts owed to Octavia Housing by its subsidiaries.

- Octavia Living is in the process of selling an asset (Cochrane Mews) for £1.15m. A portion of the proceeds from the sale will be used settle this obligation.
- The Board of the Foundation approved to liquidate £0.98m of CCLA investment to defray the outstanding liability.

Board and Executive Management

There are two tenant members of the board, Stephen Smith and Rosalind Stephens. Neither of them had any arrears at 31 March 2022 (2021: £nil). Rosalind Stephens resigned effective 14 March 2022. She has not been replaced as of 31 March 2022. Details of their remuneration are given in note 10 above. Neither of them enjoy any other special arrangements.

The group considers the key management personnel to be the Board and Executive Team. Disclosures in relation to key management personnel are included in note 9 above.

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