OCTAVIA

Octavia Housing

Report of the Board and Consolidated Financial Statements

Year ended 31 March 2023

Contents

Chair's Introduction

Stephen Jack

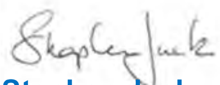
I was very proud to be invited to join the Octavia Board as Chair in April 2023. Having been Chair of the Independent Living Fund (a non-departmental public body sponsored by the Department for Work and Pensions, which provided support to more than 40,000 disabled people across the UK during its lifetime) and a trustee of Anchor (England's largest provider of specialist housing and care for people in later life) as well as a current Board member of Golden Lane Housing (a supported housing landlord for people with a learning disability), Octavia's mission to ensure happy homes, noble lives and good family life is one I understand and is very close to my heart.

I joined the Board just as the Regulator for Social Housing announced a review of our governance rating. The Board takes the issues raised by the Regulator for Social Housing downgrade of Octavia's governance and financial viability very seriously. As a former CFO and Finance Director, I also understand the challenges in managing the financial position of an organisation such as ours in a difficult economic environment.

The Board has already made a number of changes to the way it exercises oversight of the organisation and is developing detailed plans in order to address the specific weaknesses identified by the Regulator. The Board's strategy and planning are built around a commitment to ensuring that Octavia provides housing and services that both our current and future tenants and communities deserve.
The economic environment and limited options for increasing revenue means that Octavia must evolve, not only to meet economic headwinds, but to meet them in such a way that allows us to maintain and build upon our 158-year legacy of serving London's most important communities.

Over the past year, Octavia has ensured that more than 5,000 households had affordable, safe and secure homes. We have maintained our CQC Good rating across all of our extra care homes. We have reached and exceeded our targets for supporting our communities. We also expanded this support to include 11 brand new supported living homes, introduced more reablement capacity for elderly people coming out of hospital and provided 455 older/disabled people with home handyperson and gardening visits to ensure their homes meet their needs. This is not including our work to support children, young people and families in dealing with the cost of living crisis.

Given the current economic climate, I am proud of the work Octavia has done over the last year to develop much needed new homes, retain some of the most affordable rents in London and provide housing, support and emergency relief to our communities. I would like to thank the professionalism of our Executive team and our hard-working and committed staff, as well as our partners and stakeholders who have worked so closely with us over the last year and remain key to Octavia's future, as we evolve to meet the challenges we face.



Stephen Jack
Chair – Octavia

CEO's Introduction

Sandra Skeete

One of Octavia Hill's founding principles was to make 'homes happy, lives noble and family life good'. Over the last 18 months we have seen the cost of living have a huge impact on our residents, communities and staff. As a founder of the social housing sector, we take Octavia's legacy seriously. Our aim for 2022-23 was to reinvigorate our communities and offer them support and assistance to live comfortably in the nation's capital, during the current cost of living crisis.

Over the course of the year we have supported 4,545 people. We have provided 465 people with emergency food, energy support and grants and provided 136 people with training and employment opportunities, to ensure that they can live well in one of the most expensive cities in the world. We have funded schemes to provide disadvantaged children and young people, or those with special educational needs and disabilities, with weekend and after school clubs, including specialist programmes during school holidays to support working families.

As well as developing new homes, we completed works on 77 of the properties affected by the flash floods in 2021 in North Kensington and Westminster. We also worked with external funders to provide grants to 22 of the affected low-income households. The project has now entered its final phase and we aim to complete this significant programme of works later this year.

2022-23 saw us invest in our communities through one of the toughest times in recent history, with households and many organisations, including ours, feeling the impact of inflation, cost of living and rising costs. Rents for our general needs homes did not increase in line with inflation due to rent caps set by government, which has resulted in costs increasing faster than our income. Inflation driven wage growth and greater supplier costs also continue to weigh as increasing cost burdens. As a result, as with most UK housing associations, Octavia's budget has been significantly stretched. The impact of rising costs and tight budgets contributed to the Regulator for Social Housing placing Octavia's regulatory grading under review and downgrading Octavia's governance grade from G1 to G3 and its financial viability grade from V2 to V3.

Following the Regulatory downgrade, S&P Global Ratings reviewed and lowered Octavia's credit rating. We were pleased that S&P Global acknowledged that we have sufficient liquidity in place, the steps we have taken to reduce costs and that we have retained an investment grade rating.

The end of the year, our 158th year of operation, saw a change in our Board Chair. I thank Sandeep Katwala, who left the role at the end of his six-year term in April 2023 for his leadership and guidance in helping to take Octavia through one of the most challenging periods ever faced by the housing sector. The Board has welcomed our new Chair, Stephen Jack, as we continue with our improvement plans in the confidence that we will deliver on our goals, and further Octavia's legacy and its impact on communities and residents.

Sandra Skeete
CEO – Octavia

Board and advisors

Stephen Jack	Chair (Joined 20/03/2023 and appointed as Chair 01/04/23)
Sandeep Katwala	Chair (Retired 31/03/23)
Debbie Sorkin	Vice-Chair
Sheila Fitzsimons	
Terence Gallagher	
John Holman	
Steve Smith	(Retired 18/10/22)
Visakha Sri Chandrasekera	
Sandra Skeete	
Lara Sonola	(Appointed 25/09/23)
Hugh Thornbery	
Paul Williams	

Executive management

Sandra Skeete	Chief Executive
Adam Barrett	Chief Financial Officer (Appointed 12/06/23)
Alison Muir	Chief Operating Officer (Appointed 11/09/23)
Caroline Roberts	Executive Director of People and Culture (Appointed 03/04/23)
Iain Bacon	Interim Chief Financial Officer (maternity cover) (Resigned 30/09/22)

Norman Hill	Interim Chief Financial Officer (Appointed 05/10/22 and resigned 27/02/23)
Paul Hackett	Interim Chief Financial Officer (Appointed 28/02/23 and resigned 09/05/23)
Stephen Kirrage	Executive Director of Development Sales & Asset Management (Resigned 05/09/2023
Denize McGregor	Executive Director of Customer & Community (Resigned 31/07/2023)
Lynsey Bradshaw	Chief Financial Officer (resigned 30/09/2022)
Abbi Agana	Chief Operating Officer (Resigned 30/06/22)

Secretary & registered office

Adam Barrett	Appointed 12/06/23
Paul Hackett	Appointed 28/02/23 and resigned 30/05/23
Norman Hill	Appointed 05/10/22 and resigned 27/02/23
Iain Bacon	Resigned 30/09/22

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Principal legal advisors

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Strategic report

Introduction

On 6 September 2023, the Regulator for Social Housing (RSH) downgraded Octavia's Governance (G) and viability (V) ratings from G1/V2 to G3/V3. The Board acknowledges the issues that have led to the regrading and is committed to working with the regulator to address those issues and to restore Octavia's ratings to levels that ensure compliance with the regulator's standards.

The Board has developed an action plan with the support of independent advisors. Priorities within the plan include strengthening the finance function and improving financial planning and monitoring processes across the organisation. The regulators report sets out that Octavia needs to improve on delivering it's plans and ensuring that business planning assumptions are realistic and deliverable.

Additional support is being secured to support the finance team in reviewing the business plan for the 2024/25 year and as part of that plan setting out concrete measures to address the organisation's high cost base and to bring its operational costs back in line with sector norms.

The underlying viability of Octavia as an organisation has been reviewed and tested as part of Octavia's going concern assessment. Octavia has secured undrawn credit facilities at the 30th of October 2023 of £121m. Following the decision to scale back the development programme this has reduced forecast draw down requirements on those facilities to £10m in the period from the signing of the accounts to the 31st of October 2024.

Principal activities

Octavia was founded by Octavia Hill, the Victorian philanthropist and social reformer, whose ideas formed the basis of all housing associations.

Octavia began her work with the poor of London in the 1860s; she was a pioneer of social housing, a founder of the National Trust and the first clean air campaigner for London.

Hill's aim was 'to make homes happy, lives noble and family life good'. She believed that communities were about the people living in them and not just the buildings they lived in.

At Octavia we know that Hill's aim is as relevant today as it was 150 years ago. Operating in some of the most expensive parts of the capital, we have built on this legacy through our unique offer that puts people and communities first.

Through our work covering homes, support, and care, we empower people with opportunities for a better life and enable communities to be thriving places to live. Like our founder, we believe in the power of connections to improve lives. We believe in building and sustaining diverse communities that enrich the lives of everyone.

Our vision - Vibrant communities, better lives for all
The homes and services we provide directly benefit individuals and neighbourhoods and make for a more equal society. We support mixed communities by helping people to live in the areas where they feel connected, while empowering them to be independent and make their own contribution to their neighbourhoods.

Our purpose - Delivering equality through homes, support, and opportunity

We want to be an exemplar as a landlord, in our communities, and as an employer, leading the way in tackling the issues that affect our colleagues and the communities we serve.

To help us bring our purpose to life, we have created **five strategic pillars**, each with its own set of goals, all underpinned by our four values: **Reliable, Responsible, Respectful, Resourceful.**

Our five pillars are:

Tackle inequality
Our aim is to be a catalyst for inclusion and social justice. We do this by building more homes and maintaining their quality, tackling income inequality, making our services accessible, promoting financial resilience in our communities, and attracting and retaining a workforce of talented and representative staff.

Optimise our impact
We optimise our impact by providing services that are exemplary, efficient, and bring our values to life and by creating opportunities that increase people's chances of having positive outcomes. We leverage our partnerships and connections for the benefit of our residents and communities and make sure that we always seek and provide value for money.

People-centred
Our residents have a voice and we listen to it. We use their feedback to gain insights into how we can improve. Our focus is on supporting our communities, making sure they are safe and secure and have confidence in their futures. For our colleagues, we want to be an employer of choice, and create a working environment where people can progress and thrive and work to achieve shared objectives.

Modern and engaging
We adopt the latest technology to improve our residents' experience. We use data to inform our decision-making and improve our residents' experience. We are creating a workplace fit for today and for the future, one that promotes connection and collaboration and a culture of engagement and trust.

Build our legacy
We invest in a sustainable future, one that is underpinned by transparent and strong governance, adherence to our long-term business plans, and financial strength.

Activities overview

Octavia provides good quality, affordable homes for London's diverse communities. We own 5,378 homes for social housing, supporting a broad range of housing needs.

Schemes completed in 2022/23

- William Morris Way/Fulham Riverside, Hammersmith & Fulham - 14 Affordable Rent

- Two Bridges, Hounslow - 8 Shared Ownership and 11 Care & Support
- Watkins House, Harrow - 20 Shared Ownership
- Chippenham Gardens, Brent, 22 Social Rent

We sold 19 shared ownership homes in 2022/23 across the boroughs of Brent (2), Hounslow (8), Harrow (6) and Ealing (3).

New Build: Agency Managed Supported Housing

June 2022 saw the completion and handover of Two Bridges, a specialist supported housing scheme based in Hounslow, providing 11 self-contained homes to adults with learning disabilities, autism and diverse needs, enabling independent living with on-site support services provided.

Affordable shared ownership

Our shared ownership properties provide the opportunity for people on lower incomes to buy an affordable home. The average household income for shared ownership buyers in 2022/23 was £53,079. The average sales value of the homes sold was £389,736. There were several voluntary disposals during the year (five properties sold and six lease extensions), and 19 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 £8,332k

Partnerships

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 2039 new homes developed and under construction by 2023. This exceeds our target of 1,408 new homes developed and under construction by 2023.

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 early 2024.

Organisation performance

Performance indicator	**22/23**	**21/22**	**London Housemark comparison**
Rent arrears as % of rent due	3.97%	3.34%	Upper quartile
Rent collection as % of rent due	99.5%	100.8%	Upper quartile
General Needs void loss as % of rent due	1.20%	0.78%	Lower quartile
Average voids standard re-let time in days	34.98	33.65	Upper median
Number of ASB cases per 1,000 properties	7	10	Upper quartile
Overall Resident Satisfaction	61%	82% (2020)	Lower Quartile
% residents satisfied with last repair	86%	90%	Median
% properties with valid landlord gas safety certificates	100%	99.97%	Upper quartile
% fire risk assessments completed	99.2%	100%	Upper quartile
Average call answering time in seconds	10.49	13.0	Upper quartile
Average time to respond to a complaint (working days)	8.9	7.5	Not applicable

We recognise the reduction in our overall satisfaction levels. Work has already begun in collaboration with residents to develop and implement an improvement plan.

This review involves deep dives into key service areas, including repairs and our complaints process. Additionally, we will be launching our new Residents Charter, co-designed with residents, that sets new service standards and aims to strengthen our relationship. This is core element of our resident influence strategy.

Repairs and maintenance

Keeping homes safe and well-maintained is paramount. In 2022/23, 100% of emergency and urgent repairs were completed within target time, and 96% of routine repairs were completed within target time.

Cyclical and Investment works 2022/23

We completed 77 units as part of our cyclical programme in 2022/23, focusing on properties in Westminster and North Kensington. Apart from cyclical decoration, the properties also benefited from works such as roof renewals and sash window refurbishments.

53 homes had new kitchens and bathrooms installed which will be further added to with a larger programme in place this year.

Building safety

Octavia continues to maintain an excellent record on the Decent Homes Standard with 99.7% of our homes meeting the Decent Homes Standard.

Fire safety

Safety remains a top priority and performance was good in this area. At the end of March 2023, 100% of our properties had an in-date Fire Risk Assessment and 99.2% had an in-date, accredited gas safety certificate.

We continued major fire safety works to homes this year, including carrying out further cladding and external wall inspections in accordance with the latest Government guidance.

We identified a number of buildings that required remedial works and have put together a programme of works to complete this over the coming years. Additional fire safety measures, including waking watches and extra alarms in communal areas, are being installed at the buildings affected, where required to ensure resident safety.

We are producing bespoke resident engagement strategies for any blocks affected by these measures so residents will be kept informed. We also continue to invest in other areas of fire and building safety, investing circa £3.6m in fire safety during 2022/23.

Flood Risk Mitigation

We have continued to work with our insurers and contractors on the properties affected by the flash floods in 2021 in the North Kensington and Westminster areas and have now completed works on 77 properties.

We have worked with a significant number of households to move temporarily into other accommodation and supported people during this traumatic time, accommodating individual resident needs as far as we can in response to this unprecedented event.

The project has now entered its final phase and we aim to complete it in 2023.

Communities

The people we support are frequently at risk of isolation, at risk of having low levels of resilience, confidence and aspirations or at risk of having limited employability skills.

For many people living in our communities, there are limited opportunities to interact and connect with others different from themselves e.g. intergenerational connections; volunteers who may be new to their community. The importance of having digital skills in order to be able to connect with others has been highlighted during the past year and will continue to be a strong indicator of ability to connect, as the world gradually reopens.

Octavia's unique community offer puts communities first, empowering thousands of people to live well and connect. We tackle inequalities by creating opportunities and connection through employment and training advice, outreach and befriending, activities for young and older residents, volunteering and building financial resilience to help through the ongoing financial crisis and beyond. We supported a record 4,545 people in 2022/23, surpassing our aim of engaging 4,200 this year.

However, our work is about far more than the numbers: it is about supporting sustainable, long-term impact within our community. 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.

This was our second year of successfully delivering on our Communities Strategy 2021-2024 'Building on our Legacy'. We remain on track to exceed our ambitions of supporting at least 4,400 people a year by 31 March 2024.

It is essential to recognise that we do not do this in isolation. Helping us to help others is a diverse, talented, dedicated community of volunteers, residents, colleagues, partners and stakeholders. All of us 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 make continuing with our community projects possible, year after year.

Risks and uncertainties

The Board has approved a robust strategic approach to risk management, and this is reflected in a comprehensive matrix of risks. Ongoing oversight of risk is provided by the executive, the Board subcommittees, the Audit and Risk committee. The Board has ownership of the corporate risk register and ensures that its oversight of risks is underpinned by an annual review of risk appetite and the risk management framework. In addition, the three-year internal audit strategy is reviewed annually to ensure that it remains closely aligned to the changing external environment and Octavia's own operating model. The Board's consideration of risk is also informed by the Regulator's Sector Risk Profile which is also considered annually.

In 2022/23, the most significant risks and uncertainties the Board considered were:

Financial Controls

The regulatory judgement identified a clear need for stronger financial controls. The Financial Regulations were relaunched in March 2023. However, the control environment that the Regulations describe requires significant attention to be embedded. Most significantly, we must address the key impediments to effective budget oversight, through both system improvements and recruitment of permanent skilled staff to all the roles in the team. A further current control weakness relates to monitoring our supplier framework. The current procurement action plan is targeted at addressing the required improvements to the procurement, management and monitoring of suppliers.

Strength of the Finance Function

The finance function at Octavia needs strengthening in order to effectively support sound business planning, financial forecasting and risk management in the organisation. Recruitment has commenced for key roles within the team. Additional support is being secured to support key process reviews and strengthen business planning and improvements to the finance system and chart of accounts are underway.

Cost of Living

We continue to monitor the rising cost of living and the impact on our employees, residents, communities, and our suppliers. With inflation rising, we are mindful of the likely impact on tenant affordability and, consequently, arrears. We are vigilant to the impact of the current challenging operating environment and cost of living crisis on our people. To this end, our focus has been on prioritising work and deferring any non-essential activities or projects to ensure that we are focusing resources and support where they are needed. There has also been refreshed focus on staff wellbeing and effective and communication at this time.

Uncertain Economy

Inflation has continued to rise and the sustained increase in energy costs, due primarily to the continued dependency on Russian supply chains, has placed particular pressure on budgets. Maintenance spend and managing agent costs have increased above already-high rates of inflation. The economic impact of the government’s 7% rent cap crystalised this risk for the sector. We recognise we must be innovative in finding savings without compromising the quality of our services to residents

Access to Labour and Skills

Accessing highly sought, specialist skills in areas including landlord compliance, finance and retail roles has been a particular challenge in the last year. Use of interims, while necessary, adds increased risk on our employment costs. Guided by our new Executive Director of People and Culture, Caroline Roberts, we are reviewing, and re-launching Octavia’s staff offer to ensure we attract and retain the best people.

Health and Safety

We have continued to embed our corporate health and safety framework. In 2022/23, as well as close compliance control of the key health and safety areas (gas, electric, lifts, asbestos, fire, water, damp & mould), we undertook full internal audits of gas safety and lift safety. As we move on from Covid, we have maintained strong risk controls around infection for our most vulnerable residents. In line with the expectations of the Regulator, we require our Board to be fully up to speed with the new health and safety legislation to enact their role. We also required our Board to undertake the Essential Framework of mandatory training required for all staff, which prioritised health and safety learning

Security of Data

Data security is a significant focus for all Registered Providers, and we are committed to protecting our corporate systems and customer information. In September 2022 we implemented new cyber security controls, giving us 24/7 protection against cyber threats. Aligned to this has been consideration of insurance coverage. Supporting our risk-averse position and taking into account the escalation of cyber-attacks on UK businesses, we increased our per-incident maximum coverage for cyber incidents from £2m to £5m.

Finance and governance

Octavia has over 5,300 homes, many in some of the most desirable and highest property value areas of London. We are committed to increasing 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 (RSH) remained at G1 (Governance) and V2 (Viability) during the financial year. On 6 September 2023 the RSH published the Regulatory Judgement which downgraded Octavia's governance grade from G1 to G3 and viability grade from V2 to V3

Financial results

The Octavia Group's financial performance over the last five years is illustrated in Figure 1. In 2022/23, the operating surplus increased by 14.9% to £10.8m (£9.4m in 2021/22). The overall surplus increased from £1.7m in 2021/22 to £3.0m in 2022/23 due to the following principal variations.

The increase in the surplus on Fixed Asset disposals of £5.5m was offset by a reduction in income of £2.5m from reduced first tranche sales and one off grant income and an increase in costs due to restructuring costs of £1m and write downs on impairments of land and the Afrex development scheme of £0.3m

Figure 1

	2022/23 £m	**2021/22 £m**	**2020/21 £m**	**2019/20 £m**	**2018/19 £m**
Turnover (excluding donations)	57.2	60.9	54.9	58.7	58.7
Cost of sales	(2.1)	(3.3)	(2.6)	(5.2)	(10.0)
Operating costs	(51.6)	(51.1)	(46.0)	(44.0)	(38.8)
Surplus on property disposals	8.3	2.9	2.9	3.0	2.8
Restructuring costs	(1.0)	-	-	-	-
Operating surplus	10.8	9.4	9.2	12.5	12.7
Net interest payable	(8.8)	(8.4)	(8.3)	(7.5)	(5.7)
Interest breakage costs	-	-	-	-	(0.5)
Revaluation of investments	0.9	0.7	0.4	3.7	-
Surplus for the year	3.0	1.7	1.3	8.7	6.5
Borrowings	282	278	236	222	211
Housing owned/managed (number of homes)	5,384	5,313	5,241	5,087	5,013

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

Property portfolio

The Group benefits from the quality of its high value portfolio of social housing, which has been built up over the last 150 years. This is reflected in Jones Long LaSalle (JLL)'s independent valuation of our General Needs housing property portfolio at 31 March 2023 (Refer to Figure 2 below and note 15 of these financial statements).

This valuation indicates an average vacant possession value for General Needs properties of approximately £566,000 (2021/22: £550,000) and around £518,000 (2021/22: £489,000) across the whole portfolio, including shared ownership homes and supported housing.

The property portfolio requires significant levels of reinvestment each year for both maintenance purposes and to respond to the requirements of health and safety legislation. The revised financial plan envisages spending £69m on these works over the next five years.

In addition to the housing property portfolio, Octavia has commercial properties held in the balance sheet at a valuation of £16.3m, based on an open market value in March 2023 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.

Figure 2

	2022/23 £m	2021/22 £m
Open market value with vacant possession	2,625	2,657
Market value subject to existing tenancies	1,442	1,361
Existing use value for social housing	685	626
Estimated annual market rent of General Needs social rented portfolio	95	86
Actual annual rent roll of General Needs social rented portfolio	31	26

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 £95m per annum, against the rents charged in the financial year of £31m. The difference of £64m 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 £135.62 per week to £145.47 per week. Our average rents continue to be below the Government formula for social rents. During the year, we also added another 36 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 received grant from the government to build new homes. Unamortised grant of £187m of grant from central government is included in the balance sheet. 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.

Value for money

Octavia has faced significant challenges in recent years in managing its operating cost base and in ensuring that its cost base is reflective of sector norms. Some of these challenges have been external with Covid, Brexit, the war in Ukraine all contributing to constrained supply chains, rising inflation, affordability challenges for residents and reduced income and disruption to supply chains.

Other challenges are more specific to Octavia with a large proportion of older stock in high cost locations, a significant care element to the housing provision and a strong commitment to funding wider community support. Over the last 3 years a rising cost base linked to these challenges combined with delays in delivering efficiency savings and lower returns on development projects has eroded operating margins. Comparisons with sector peers and year on year comparisons of Octavia's own VfM metrics indicate that a thorough view of the organisation's s cost base, different business streams and overheads is required.

Additional resources are being bought into the organisation to support this work which will commence with the 2024/25 business plan and budget review. In carrying out this work we will maintain a focus on the social value that Octavia delivers and balance the outcomes we achieve with the need to strengthen operating margins.

In assessing our VfM performance in 2022/23, 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 2022 financial statements. Our sector scorecard metrics underline the importance of rebalancing the business to support higher operating margins and the ability to reinvest in our housing stock and generate social value for our communities.

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 from £8,423 in 2021/22 to £9,321 in 2022/23, which is an increase of 10.6%. This remains above the sector average. Whilst gearing remains in line with sector norms our high cost base is impacting both our unit operating cost and our EBITDA ratios which are both significantly adverse to our sector peers. 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 our land-led developments. Delays in achieving planned savings and high inflation on operating costs further contributed to a deteriorating operating margin.

We remain committed to investing in homes and communities. We have however scaled back our development programme pending a review of investment priorities in light of the current economic environment. We will over the next year be reviewing the operating cost base of the organisation and the viability of key elements of the business with the goal of moving operating margins back towards sector norms.

Figure 3 – Value for money comparison

Regulatory metrics		Actual group 22/23	Actual group 21/22	Peer Group median 21/22
Metric 1	Reinvestment	4.2%	8.4%	5.4%
Metric 2a	New Supply (Social housing units)	1.5%	4.2%	0.8%
Metric 2b	New Supply (Non-social housing units)	0.0%	0.0%	0.0%
Metric 3	Gearing	45.2%	44.0%	42.6%
Metric 4	EBITDA MRI interest rate cover	25.4%	82.4%	106.7%
Metric 5	Headline social housing cost per unit	£9,321	£8,423	£6,707
Metric 6a	Operating margin (social housing lettings only)	8.2%	20.7%	20.3%
Metric 6b	Operating margin (overall)	4.4%	10.7%	15.4%
Metric 7	Return on capital employed	1.8%	1.5%	2.3%

Figure 4 – Value for money targets

Metrics		Actual group 22/23	Target group 22/23	Target group 23/24	Target group 24/25
Metric 1	Reinvestment	4.2%	6.8%	4.6%	3.7%
Metric 2a	New Supply (Social housing units)	1.5%	2.7%	1.1%	1.6%
Metric 2b	New Supply (Non-social housing units)	0.0%	0.07%	0.0%	0.0%
Metric 3	Gearing	45.2%	46.1%	43.0%	42.2%
Metric 4	EBITDA MRI interest rate cover	25.4%	102.6%	60.6%	149.2%
Metric 5	Headline social housing cost per unit	£9,321	£6,822	£9,238	£9,257
Metric 6a	Operating margin (social housing lettings only)	8.2%	28.4%	26.7%	26.1%
Metric 6b	Operating margin (overall)	4.4%	19.7%	22.3%	24.6%
Metric 7	Return on capital employed	1.8%	2.3%	3.3%	3.7%

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 £279m to £282m. As of 31 March 2023, headroom available on fully secured borrowing facilities was £155m, (£50m, 31 March 2022), which were available to draw immediately. The total Group committed facilities are £437m (£330m, 31 March 2022).

Details of interest rate fixing by maturity at 31 March 2023 are given in Figure 5 below.

The proportion of floating rate debt has increased during the year to 31 March 2023 to 21% (16%, 31 March 2022), 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 2023, the position in respect of the two main covenants were as follows:

- Interest cover 1.36% (lowest permitted level 110%)
- Gearing 45% (highest permitted level 70% EUV-SH basis)

At the end of the year, 52% (63%, 31 March 2022) of our properties had been used to secure current facilities. The unutilised security will enable us to increase borrowings to fund future additional development.

Figure 5 – Interest rate fixing by maturity

Rate fixing period	**Target**	**At 31 March 2023**	**At 31 March 2022**
Fixed for more than 10 years	At least 40%	63%	72%
Fixed for more than 1 year but less than 10 years	Between 10% and 30%	16%	13%
Variable/less than one year	Less than 25%	21%	16%

Future prospects

As at the 30th of October 2023 it is forecast that Octavia will meet its covenant obligations comfortably with interest cover forecast to be in excess of 200%. Octavia has sufficient liquidity to meet all its operational and capital investment obligations for 4 years, before obtaining additional facilities, As at 30th October 2023 undrawn loan facilities are £121m.

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 Board has also noted that it is forecasting to meet its interest cover covenants for the 2023/24 financial year. The Regulator for Social Housing has downgraded Octavia from a G1 to a G3 rating and from a V2 to a V3 viability rating. The Board is working with the Regulator on measures to improve both the governance processes and the financial strength of Octavia Housing.

The liquidity position of Octavia is strong with sufficient cashflow and undrawn facilities to meet its obligations whilst measures to improve its underlying financial performance are implemented.

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.

The Afrex House development has been impaired by £0.3m as the result of the developer Inland Homes entering administration.

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 £0.686m 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 157.56% 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 at fair value by an independent valuer. The latest valuation was carried out in March 2023 by JLL and valued the properties at £16.3m. The gain in value of £0.9m 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 17 of the financial statements.

Defined benefit pension schemes

The Group participated in the Social Housing Pension (SHP) Defined Benefits Scheme managed by the Pensions Trust. 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 2023. The Group also participated in the Local Government Pension Scheme (LGPS), which is also a defined benefit scheme. This has resulted in a net reduction in the defined benefit gain being reported in the Balance Sheet, with corresponding movements through the Statement of Comprehensive Income. The valuation of 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:

a) Octavia Living Limited, which develops homes for outright sale on housing developments led by Octavia. It also markets and manages property sales for Octavia and provides related commercial advice
b) Octavia Development Services Limited, which develops social housing for Octavia on a design and build basis and is currently dormant.

c) Octavia Foundation, a registered charity which raises funds to provide services, often to Octavia residents, in central and west London,

d) Octavia Hill Limited, a subsidiary which is currently dormant.

Octavia is the corporate trustee of Octavia Hill Housing Trust Gift Fund (the Gift Fund). The Gift Fund was deregistered from the Charity Commission on 12 November 2021 and delinked from Octavia Foundation and the ownership of the Gift Fund's assets were transferred to Octavia. Octavia is in the process of registering the Gift Fund with the Charity Commission.

Corporate governance

Octavia is governed by a Board which at 31 March 2023 comprised of comprised 9 non-executives plus the Chief Executive (these are listed on page 3 in this report). Each non-executive Board member holds one fully paid share. Octavia adopted the National Housing Federation Code of Governance 2020 during 2021/22. We fully comply with the Code.

The day-to-day operational responsibility for Octavia is delegated to our Executive team, which comprises the Chief Executive, Chief Financial Officer, Chief Operating Officer and the Executive Director of People and Culture. During 2022/23 the Board was supported by five subcommittees, which include Board members as well as independent members.

- Estates Committee – residential and commercial property oversight
- Services Committee – housing and care services matters including responsive repairs, together with oversight of the communities programme, including fundraising activities undertaken via the Octavia Foundation
- Corporate Committee – technology, people and culture, communications, procurement other internal operational matters
- Finance Committee – finance and treasury matters
- Audit and Risk Committee – audit, internal control and risk management.

The Finance Committee was disbanded from April 2023 to allow the Board to exercise more direct oversight of financial matters.

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 were three changes to the membership of the Group Board during the year:

Steve Smith
Retirement Date: 18 October 2022
Role: Non-Executive Group Board Member

Sandeep Katwala
Retirement Date: 31 March 2023
Role: Non-Executive Director and Chair

Stephen Jack
Joining Date: 20 March 2023
Role: Non-Executive Director (became Chair on 1 April 2023)

Assessment of the effectiveness of internal controls

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

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

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

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

- The adoption of a business plan and 30-year Long Term Financial Plan model, which is regularly updated, reviewed by the Board, and stress-tested.
- A comprehensive budgeting and forecasting process, the production and review of monthly management accounts and key performance indicators for all areas of operational activity, including quarterly external reporting.
- The review and approval of the Governance Handbook and Financial Regulations of the organisation and a clear set of delegated authorities detailing responsibilities for expenditure and authorisation of payments.
- The incorporation of key risks into a Risk Register and the consideration of this and significant risks on individual projects by the Board.
- A cascaded risk review process incorporating quarterly reviews of directorate risks by owning Executive Directors and the CEO
- A programme of committee-led 'deep dives' into specific corporate risk areas to support proactive response.
- A programme of internal audit work which is linked to the Risk Map and is reported regularly to the Audit and Risk Committee and annually to the Board. The Audit and Risk Committee also regularly monitors the implementation of external and internal audit recommendations.
- A Business Services Roadmap to ensure our IT systems are reliable, efficient and secure
- Processes and systems for appraising development projects via the Group Estates Committee, New Homes Panel, Executive Team and the Group Board.

The CEO Statement of Internal Control to the Board for 2022/23 recognised the financial, socio-economic and regulatory factors that have impacted on Octavia in the course of the financial year. We understand the significant concerns of the Regulatory Judgement and will be reviewing our internal controls framework as a key element of the Board's improvement plan that is being developed with the Regulator. Having reviewed the internal controls framework, the statement of accounts and the Going Concern assessment, no deficiencies have been identified by the Board which would lead to any material misstatement of the financial accounts

There is significant emphasis on the Board's internal control responsibilities with regard to fraud. Octavia's anti-fraud policy expresses a commitment to the highest ethical standards. The policy sets out:

- The importance of operating procedures and control systems for detecting and deterring fraud, reinforced by a culture of openness and honesty among staff.
- Octavia's policies on whistleblowing and concerning the investigation of fraud (whether suspected, attempted or actual).
- The disciplinary procedures which may follow the discovery of a fraud or attempted fraud and reporting actions (including to the RSH and to the police, where appropriate).

Octavia's policy is to seek recovery of losses from those responsible, report them to the police and to maintain fidelity insurance cover against fraud. While the risk of fraud being committed can never be fully eliminated, in the opinion of the Board, a strong internal control system reduces the opportunity for fraud and increases the likelihood that attempted frauds will be detected. Octavia maintains a fraud register which is reviewed quarterly by the Audit and Risk Committee. The Audit and Risk Committee oversees fraud and whistleblowing reporting as a standing item.

Compliance with the Regulator of Social Housing Governance and Financial Viability Standard

On 6 September 2023 the RSH published the Regulatory Judgement which downgraded Octavia's governance grade from G1 to G3 and viability grade from V2 to V3 which means that Octavia is currently not compliant with the RSH regulatory standards.

Octavia is working with the regulator for Social Housing on an action plan to ensure it meets the Regulator's standards at the earliest opportunity. The liquidity position of Octavia remains strong with sufficient access to liquidity to secure Octavia's financial position whilst it implements the necessary financial restructuring to improve its financial operating position.

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.

The Governance & Viability Standard requires Registered Providers (RPs)

- To comply with all the Regulatory Standards, both Economic and Consumer (the Standards).
- To comply with its adopted Code of Governance which for Octavia is the NHF Code of Governance 2020 (the Code)

In line with the Regulatory Judgement, the self-assessment process has identified material weakness areas in compliance with the Governance & Standard. The specific sections of the Standards where this applies are:

- Manage their resources effectively to ensure that viability is maintained while ensuring that social housing assets are not put at undue risk.(1.2/A)
- Manage their affairs with appropriate skill, independence, diligence, effectiveness, prudence, and foresight.(2.2/A)
- Ensure an appropriate business planning, risk, and control framework (2.4/A)
- Financial forecasts are based on appropriate and reasonable assumptions (2.4/B)
- Effective systems are in place to monitor and accurately report delivery of the registered providers plans (2.4/C)
- Ensure the financial and other implications of risk to the delivery of plans are considered (2.4/D)

In respect of the identified weaknesses, the Board has an approved action plan to address the underlying issues of effectiveness and profitability affecting the business and is working with the Regulator to monitor and implement this plan.

Report of the Board of Management

Dividends

No final dividends have been paid or proposed during the year.

Directors

The Directors of the Group who served during the year are shown in the Board, executives and advisors report on page 3.

Directors' indemnities

As permitted by the Companies Act 2006, the Association has indemnified the directors in respect of proceedings brought by third parties and qualifying third party indemnity insurance was in place throughout the year and up to the date of approval of the financial statements.

Financial instruments

The financial risk management objectives and policies of the Group are set out in the Risks and uncertainties section of the Strategic report on page 10.

Post balance sheet events

Post balance sheet events are set out in note 3 of the financial statements.

Employment

The Group has a recruitment policy to ensure that all applications for employment, including those made by disabled persons, are given full and fair consideration in light of the applicants' aptitudes and abilities. There is also an equal opportunities policy to ensure that all employees are treated equally in terms of employment, training, career development and promotion. Where employees develop a disability during their employment, every effort is made to continue their employment and arrange for appropriate training as far as is reasonably practicable.

Our approach as an employer

We know there are inequalities that impact our people, and we are passionate about tackling these for our communities, residents, and staff. Striving to reduce our gender pay gap will help us achieve this aim.

This year's Gender Pay Gap report shows a gap between the mean average salary of male and female staff of (18%) in favour of males

We have made progress especially in relation to our mean pay gap and we are committed to improving our gender pay gap further. We have launched an Equality, Diversity and Inclusion steering group which will be the key to driving forward our equality, diversity and inclusion strategy.

Below are some of the activities that we believe have had a positive impact on our gender pay gap. These activities have included the introduction of a self-service HR system, continued access to flexible working conditions, a learning management system, and the development of a leadership development programme.

Remuneration

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

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

Salaries are based on independent advice on the market and reviewed regularly. All members of staff are paid at or above the London Living wage. The salaries of the Directors are set by the Remuneration Committee and by the Board for the Chief Executive. Octavia's policy is to offer fees to Board members. These are set in line with the guidance on fees given previously by the Regulator. Details of the remuneration paid, and the activities of individual Board members are given in note 11 of these financial statements.

Streamlined energy and carbon reporting

Octavia reports on carbon emissions through annual SHIFT and SECR reporting. Emissions are calculated by consultants from SHIFT during their audit process.

We have set targets in our Asset Management Strategy (2021 - 2025), which includes retrofitting across our housing stock, targeting investment towards EPC ratings below C, and undertaking additional energy performance modelling, which will contribute to carbon emissions reductions. Our Environmental Sustainability Strategy outlines our long-term plans to be net zero carbon by 2050 (at the latest).

Greenhouse gas emissions	**2022/23**	**2021/22**
Scope 1 – Direct Emissions	942	1,432
Scope 2 – Indirect Emissions	445	601
Scope 3 – outside of control	10,282	10,908
Total	11,669	12,941

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 have 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 situation 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 2022. 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.

Disclosure of information to Auditor

The Board members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

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

Stephen Jack **Chairman**

Statement approved by the Board and covering the entire Annual Report from pages 1 through to 24

Independent auditor's report to Octavia Housing

Opinion

We have audited the financial statements of Octavia Housing ("the Association") for the year ended 31 March 2023 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group Cash Flow Statement, the Group and Association Statement of Changes in Reserves, 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 the Group and Association's affairs as at 31 March 2023 and of the income and expenditure of the Group and 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 2022.

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

In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group 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 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 and the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

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

- enquiring of the Board, the Audit and Risk committee and internal audit as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board and Audit and Risk committee meeting minutes; and
- 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, we perform procedures to address the risk of management override of control in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the non-complex nature of material revenue streams and the limited opportunity for management to manipulate revenue transactions.

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 the Group-wide fraud risk management controls.

We performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations;
- assessing significant accounting estimates for bias.

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board and other management (as required by auditing standards).

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

Firstly the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation) 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. We identified the following areas as those most likely to have such an effect: health and safety and data protection laws, recognising the regulated nature of the Group's activities.

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 noncompliance with all laws and regulations.

Other information

The Board are responsible for the other information, which comprises the Annual Report and Strategic Report. 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.

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 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 23, the Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing 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 they either intend to liquidate the Group and Association or to cease operations, or have 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. Our audit work has been undertaken so that we might state to the Group and 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

31 October 2023

Octavia Housing Consolidated and association statements of comprehensive income

For the year to 31 March 2023

	Note	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Turnover	4	**57,239**	60,881	**56,144**	60,539
Cost of sales	4	**(2,091)**	(3,251)	**(2,090)**	(3,250)
Operating costs	4	**(51,582)**	(51,088)	**(50,189)**	(50,255)
Surplus on property disposals	12	**8,332**	2,816	**8,332**	2,816
Restructuring costs	4,8	**(1,050)**	-	**(1,050)**	-
Operating surplus	4,7	**10,848**	9,358	**11,147**	9,850
Movement in the fair value of investment properties	17	**898**	559	**898**	559
Movement in fair value of investments	18	**(37)**	156	**-**	-
Interest receivable and similar income	13	**170**	36	**171**	38
Interest and financing costs	14	**(8,918)**	(8,417)	**(8,918)**	(8,417)
Surplus for the year		**2,961**	1,692	**3,298**	2,030
Movement in fair value of hedged financial instrument	26	**2,873**	1,487	**2,873**	1,487
Actuarial (losses) / gains on defined benefit pension plans	28	**(61)**	415	**(61)**	415
Total comprehensive income for year		**5,773**	3,594	**6,110**	3,932

The financial statements were approved by the Board of Directors and authorised for issue on 26 October 2023.

S Jack **Chairman** A Barrett **Company Secretary** S Skeete **Chief Executive**

The notes from pages 33 to 76 form part of these financial statements

Octavia Housing consolidated and association statement of financial position

As at 31 March 2023

	Note	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	**593,521**	582,807	**583,417**	572,113
Tangible fixed assets - other	16	**11,667**	11,706	**11,667**	11,706
Investment properties	17	**16,326**	15,394	**16,326**	15,394
Investments - other	18	**684**	1,717	**10**	10
		622,198	**611,624**	**611,420**	599,223
Current assets					
Inventories including Properties for sale	19	**11,651**	12,413	**11,651**	11,732
Receivables – receivable within one year	20	**9,170**	8,486	**9,571**	9,825
Receivables – receivable after one year	20	**336**	-	**336**	-
Investments		**-**	106	**-**	106
Cash and cash equivalents		**14,080**	20,224	**13,604**	20,010
		35,237	41,229	**35,162**	41,673
Payables: amounts falling due within one	21	**(44,618)**	(24,342)	**(44,711)**	(24,395)
Net current (liabilities) / assets		**(9,381)**	16,887	**(9,549)**	17,278
Total assets less current liabilities		**612,817**	628,511	**601,871**	616,501
Payables: amounts falling due after more than one year	22	**(445,997)**	(468,266)	**(450,890)**	(473,253)
Net assets excluding pension liability		**166,820**	160,245	**150,981**	143,248
Provision for liabilities and charges	27	**(2,691)**	(1,889)	**(2,691)**	(1,889)
Net assets		**164,129**	158,356	**148,290**	141,359
Capital and reserves					
Called up share capital	29	**-**	-	**-**	-
Restricted reserve		**10,415**	9,670	**10,415**	9,670
Income and expenditure reserve		**153,338**	151,183	**137,499**	134,186
Cash flow hedge reserve		**376**	(2,497)	**376**	(2,497)
		164,129	**158,356**	**148,290**	141,359

The financial statements were approved by the Board of Directors and authorised for issue on 26 October 2023.

S Jack **Chairman**

A Barrett **Company Secretary**

S Skeete **Chief Executive**

The notes from pages 33 to 76 form part of these financial statements

Octavia Housing consolidated statement of changes in reserves

For the year ended 31 March 2023

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total
Balance at 1 April 2021	(3,984)	9,760	148,986	154,762
Surplus 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 losses on defined benefit pension plans	-	-	415	415
Balance at 31 March 2022	(2,497)	9,670	151,183	158,356
Surplus for the year	-	-	2,961	2,961
Transfer between restricted and unrestricted reserves	-	745	(745)	-
Movement in fair value of hedged financial instrument	2,873	-	-	2,873
Actuarial (losses) / gains on defined benefit pension plans	-	-	(61)	(61)
Balance at 31 March 2023	**376**	**10,415**	**153,338**	**164,129**

Octavia Housing association statement of changes in reserves

For the year ended 31 March 2023

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 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 hedged financial instrument	1,487	-	-	1,487
Actuarial losses on defined benefit pension plans	-	-	415	415
Balance at 31 March 2022	(2,497)	9,670	134,186	141,359
Surplus for the year	-	-	3,298	3,298
Transferred from Octavia Foundation	-	821	-	821
Transfer between restricted and unrestricted reserves	-	(76)	76	-
Movement in fair value of investment properties	-	-	-	-
Movement in fair value of hedged financial instrument	2,873	-	-	2,873
Initial recognition of multi-employer defined benefit scheme	-	-	-	-
Actuarial (losses) / gains on defined benefit pension plans	-	-	(61)	(61)
Balance at 31 March 2023	**376**	**10,415**	**137,499**	**148,290**

The notes from pages 33 to 76 form part of these financial statements

Octavia Housing consolidated statement of cash flows

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Surplus for the financial year		**2,961**	1,692
Adjustments for:			
Accelerated depreciation on components		**126**	124
Depreciation of fixed assets - housing properties	15	**7,511**	7,280
Depreciation of fixed assets - other	16	**1,297**	1,307
Impairment		**986**	691
Amortised grant	5	**(1,980)**	(2,148)
Interest payable and finance costs	14	**8,918**	8,417
Interest receivable	13	**(170)**	(36)
Movement in value of investments		**37**	(156)
Sale of current investments		**106**	-
Movement in the fair value of investment properties		**(898)**	(559)
Movement in trade and other debtors		**(684)**	(2,394)
Movement in pension creditor		**(521)**	(314)
Movement in provisions		**1,250**	-
Movement in trade & other creditors		**(1,580)**	(815)
Sale of fixed assets - cost element		**3,371**	1,251
Net cash generated from operating activities		**20,730**	14,340
Cash flows from investing activities			
Purchase of fixed assets – housing properties		**(19,441)**	(49,596)
Purchases of fixed assets - other		**(1,292)**	(1,253)
Receipt of grant		**420**	768
Interest received	13	**170**	36
Proceeds from sale of investments		**996**	11,564
Net cash outflow from investing activities		(19,147)	(38,481)
Cash flows from financing activities			
Interest and breakage paid		**(11,009)**	(9,852)
Finance costs		**-**	-
New loans - bank	25	**3,282**	42,646
New loans - other	25	**-**	-
Repayment of loans - bank	25	**-**	-
Repayment of loans - other	25	**-**	-
Net cash (utilised) / generated by financing activities		**(7,727)**	32,794
Net (decrease) / increase in cash and cash equivalents		**(6,144)**	**8,653**
Cash and cash equivalents at beginning of year		**20,224**	11,571
Cash and cash equivalents at end of year		**14,080**	20,224

The notes from pages 33 to 76 form part of these financial statements

Notes forming part of the Financial Statements

1 Legal status

Octavia Housing ("the Association") is registered in England with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. Details of its registered office are set out on page 4.

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 2022.

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 Board has also noted that it is forecasting to meet its interest cover covenants for the 2023/24 financial year. The Regulator for Social Housing has downgraded Octavia from a G1 to a G3 rating and from a V2 to a V3 viability rating. The Board is working with the Regulator on measures to improve both the governance processes and the financial strength of Octavia Housing.

2 Accounting policies (continued)

The liquidity position of Octavia is strong with sufficient cashflow and undrawn credit facilities to meet its obligations whilst measures to improve its underlying financial performance are implemented.

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.

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.

2 Accounting policies (continued)

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.

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. 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.

2 Accounting policies (continued)

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

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

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:

2 Accounting policies (continued)

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

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.

2 Accounting policies (continued)

Shared ownership properties and staircasing (continued)

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 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.

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).

2 Accounting policies (continued)

Fixtures, fittings and equipment

a) Office fixtures, fittings and equipment are depreciated at 10% per annum of the cost (equiv. to 10-year useful life).
b) Computer equipment is depreciated at 25% per annum of the cost (equiv. to 4-year useful life).
c) 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

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.

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".

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

Receivables and payables

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

Provisions for constructive obligations

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

Loans, investments and short-term deposits

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

Financial liabilities and equity

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

Taxation

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

Cash and cash equivalents

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

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

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.

2 Accounting policies (continued)

Derivative instruments and hedge accounting (continued)

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, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The categorisation of properties as investment properties or property, plant and equipment, based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.
- The assessment of fair value of interest rate swap agreements (see note 26).
- The categorisation of financial instruments as 'basic' or 'other'.

Other key sources of estimation uncertainty:

- Contingent liabilities There are no contingent liabilities recorded in the 2022/23 accounts, Where contingent liabilities are identified the basis of the liability will be disclosed in the accounts. Tangible fixed assets (see note 15 and 16)

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.

Impairment of land-banked sites:

In determining the residual valuation, the construction costs were based on the standard per metre construction cost values as used in development appraisals.

- Investment Properties (see note 17)

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

Investment properties were professionally valued at 31 March 2023 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 20)

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 28)

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 event is disclosed:

Octavia Housing was placed on the gradings under review list by the Regulator of Social Housing on 31 March 2023. The Regulator revised its rating on the 6th of September 2023 with Octavia's Governance Rating being downgraded from G1 to G3 and Viability rating being downgraded from V2 to V3. Octavia is working with the Regulator on actions that will restore its governance and viability ratings to compliant ratings of G2/V2 or above.
We have treated this event 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 2023	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	**47,380**	**-**	**(43,501)**	**-**	**3,879**
Other Social housing activities					
First tranche low-cost home ownership sales	**2,616**	**(2,091)**	**-**	**-**	**525**
Supporting people	**-**	**-**	**(355)**	**-**	**(355)**
Student Accommodation	**2,174**	**-**	**(164)**	**-**	**2,010**
Impairment	**-**	**-**	**(986)**	**-**	**(986)**
Other	**1,463**	**-**	**(3,530)**	**8,332**	**6,265**
	53,633	**(2,091)**	**(48,536)**	**8,332**	**11,338**
Activities other than social housing activities					
Market rents	**-**	**-**	**-**	**-**	**-**
Rents on investment properties	**974**	**-**	**(518)**	**-**	**456**
Outright Sales	**-**	**-**	**-**	**-**	**-**
Other	**2,632**	**-**	**(3,578)**	**-**	**(946)**
	3,606	**-**	**(4,096)**	**-**	**(490)**
	57,239	**(2,091)**	**(52,632)**	**8,332**	**10,848**

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

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

Association Year ended 31 March 2023	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	**47,474**	**-**	**(43,501)**	**-**	**3,973**
Other social housing activities					
First tranche low-cost home ownership sales	**2,616**	**(2,090)**	**-**	**-**	**526**
Supporting people	**-**	**-**	**(355)**	**-**	**(355)**
Student Accommodation	**2,174**	**-**	**(164)**	**-**	**2,010**
Impairment	**-**	**-**	**(986)**	**-**	**(986)**
Other	**(45)**	**-**	**(1,852)**	**8,332**	**6,435**
	52,219	**(2,090)**	**(46,858)**	**8,332**	**11,603**
Activities other than social housing activities					
Market rents	**-**	**-**	**-**	**-**	**-**
Rents on investment properties	**974**	**-**	**(518)**	**-**	**456**
Outright Sales	**-**	**-**	**-**	**-**	**-**
Other	**2,951**	**-**	**(3,863)**	**-**	**(912)**
	3,925	**-**	**(4,381)**	**-**	**(456)**
	56,144	**(2,090)**	**(51,239)**	**8,332**	**11,147**

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

5 Income and expenditure from social housing lettings

Group	General needs £'000	Supported housing £'000	Keyworker £'000	Low-cost home ownership £'000	Total 2023 £'000	Total 2022 £'000
Income						
Rents net of identifiable service charges	**27,870**	**1,481**	**3,019**	**3,113**	**35,483**	33,068
Service charge income	**2,813**	**1,415**	**58**	**1,777**	**6,063**	5,402
Amortised government grants	**1,587**	**214**	**-**	**179**	**1,980**	2,148
Net rental income*	**32,270**	**3,110**	**3,077**	**5,069**	**43,526**	40,618
Government grants taken to income	**-**	**97**	**-**	**-**	**97**	2
Donation from third parties	**-**	**-**	**-**	**-**	**-**	-
Fee income for care and support	**-**	**3,294**	**-**	**-**	**3,294**	3,332
Other Income	**24**	**392**	**-**	**47**	**463**	75
Turnover from social housing lettings	**32,294**	**6,893**	**3,077**	**5,116**	**47,380**	44,027
Expenditure						
Management	**7,604**	**1,327**	**25**	**581**	**9,537**	8,408
Service charge costs	**6,319**	**5,013**	**5**	**1,221**	**12,558**	6,213
Routine maintenance	**9,669**	**15**	**60**	**2**	**9,746**	8,603
Planned maintenance	**2,536**	**(10)**	**-**	**-**	**2,526**	2,063
Major repairs expenditure	**448**	**-**	**-**	**-**	**448**	531
Bad debts	**1,049**	**-**	**-**	**-**	**1,049**	(157)
Depreciation of housing properties:						
- annual charge	**7,327**	**184**	**-**	**-**	**7,511**	7,279
- accelerated on disposal of components	**126**	**-**	**-**	**-**	**126**	124
Other costs	**-**	**-**	**-**	**-**	**-**	4,154
Operating expenditure on social housing lettings	**35,078**	**6,529**	**90**	**1,804**	**43,501**	37,218
Operating (loss) / surplus on social housing lettings	**(2,784)**	**364**	**2,987**	**3,312**	**3,879**	6,809
* Net rental income is stated net of void losses of	**(50)**	**(160)**	**(57)**	**(365)**	**(632)**	(786)

5 Income and expenditure from social housing lettings (continued)

Association	General needs £'000	Supported housing £'000	Keyworker £'000	Low-cost home ownership £'000	Total 2023 £'000	Total 2022 £'000
Income						
Rents net of identifiable service charges	27,870	1,481	3,019	3,113	35,483	33,035
Service charge income	2,813	1,415	58	1,777	6,063	5,402
Amortised government grants	1,681	214	-	179	2,074	2,242
Net rental income*	32,364	3,110	3,077	5,069	43,620	40,679
Government grants taken to income	-	97	-	-	97	2
Donation from third parties	-	-	-	-	-	-
Fee income for care and support	-	3,294	-	-	3,294	3,332
Other Income	24	392	-	47	463	75
Turnover from social housing lettings	32,388	6,893	3,077	5,116	47,474	44,088
Expenditure						
Management	7,620	1,327	25	581	9,553	8,408
Service charge costs	6,303	5,013	5	1,221	12,542	6,213
Routine maintenance	9,669	15	60	2	9,746	8,603
Planned maintenance	2,536	(10)	-	-	2,526	2,063
Major repairs expenditure	447	-	-	-	447	531
Bad debts	1,050	-	-	-	1,050	(157)
Depreciation of housing properties:						
- annual charge	7,327	184	-	-	7,511	7,270
- accelerated on disposal of components	126	-	-	-	126	124
Other costs	-	-	-	-	-	4,154
Operating expenditure on social housing lettings	35,078	6,529	90	1,804	43,501	37,209
Operating (loss) / surplus on social housing lettings	(2,690)	364	2,987	3,312	3,973	6,879
* Net rental income is stated net of void losses of	(50)	(160)	(57)	(365)	(632)	(786)

6 Units of housing stock

	Group 2023 Number	Group 2022 Number	Association 2023 Number	Association 2022 Number
General needs housing:				
- Social	**3,280**	3,284	**3,280**	3,279
- Affordable	**493**	527	**493**	527
Low-cost home ownership	**524**	507	**524**	507
Supported housing	**321**	247	**321**	247
Keyworker accommodation	**170**	170	**170**	169
Student accommodation	**125**	144	**125**	144
Housing for older people	**137**	137	**137**	137
Total social housing units	**5,050**	**5,016**	**5,050**	**5,010**
Leaseholder management	**315**	297	**315**	297
Market rent	**19**	-	**19**	-
Total owned	**5,384**	**5,313**	**5,384**	**5,307**
Accommodation managed for others	**-**	-	**-**	6
Units managed by other associations	**(96)**	(83)	**(96)**	(83)
Total managed accommodation	**5,288**	**5,230**	**5,288**	**5,230**
Units under construction	**132**	324	**132**	324

Units of housing stock movement in numbers

	Group 2022 Number	Additions 2023 Number	Disposals 2023 Number	Tenure changes 2023 Number	Other 2023 Number	Group 2023 Number
General needs housing:						
- Social	**3,284**	**-**	**-**	**(4)**	**-**	**3,280**
- Affordable	**490**	**36**	**-**	**(33)**	**-**	**493**
Low-cost home ownership	**507**	**28**	**-**	**(11)**	**-**	**524**
Supported housing	**284**	**11**	**(7)**	**33**	**-**	**321**
Keyworker accommodation	**170**	**-**	**-**	**-**	**-**	**170**
Student accommodation	**125**	**-**	**-**	**-**	**-**	**125**
Housing for older people	**137**	**-**	**-**	**-**	**-**	**137**
Total social housing units	**4,997**	**75**	**(7)**	**(15)**	**-**	**5,050**
Leaseholder management	**297**	**3**	**-**	**15**	**-**	**315**
Market rent	**19**	**-**	**-**	**-**	**-**	**19**
Total owned	**5,313**	**78**	**(7)**	**-**	**-**	**5,384**
Accommodation managed for others						
Units managed by other associations	**(83)**	**(13)**	**-**	**-**	**-**	**(96)**
Total managed accommodation	**5,230**	**65**	**(7)**	**-**	**-**	**5,288**
Units under construction	**319**					**132**

7 Operating surplus

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
This is arrived at after charging				
Depreciation of housing properties:				
- annual charge and impairment (note 15)	**8,197**	7,971	**8,197**	7,962
- accelerated depreciation on replaced components	**126**	124	**126**	124
Total depreciation of housing properties	**8,323**	8,095	**8,323**	8,086
Depreciation of other tangible fixed assets (note 16)	**1,297**	1,307	**1,297**	1,307
Impairment of Inventories – Housing work in progress	**300**		**300**	
Operating lease charges – land & building	**735**	682	**735**	682
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	**153**	80	**143**	72
- other fees	**12**	22	**12**	-

8 Restructuring costs

Restructuring costs of £1,050,000 (2022: nil) has been provided for in relation to the downsizing of Octavia which is expected to be completed during the 2023/24 financial year.

9 Employees

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**13,634**	13,621	**13,533**	13,363
Social security costs	**1,418**	1,349	**1,407**	1,323
Cost of SHPS defined benefit scheme (see note 28)	**469**	465	**469**	465
Cost of defined contribution scheme	**870**	874	**862**	839
	16,391	16,309	**16,271**	15,990

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 2023 Number	Group 2022 Number	Association 2023 Number	Association 2022 Number
Administration	**56**	55	**56**	55
Charity Shops	**30**	30	**30**	30
Marketing and Sales	**8**	14	**8**	-
Development	**12**	12	**12**	12
Housing, Support and Care	**256**	266	**256**	281
Foundation	**3**	11	**-**	-
	365	388	**362**	378

10 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 3.

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Executive directors' emoluments	**705**	915	**705**	915
Amounts paid to non-executive directors*	**62**	70	**62**	70
Contributions to Directors' pension schemes	**39**	52	**39**	52
	806	1,037	**806**	1,037

*The 2022 payment to non-executive directors has been updated from £38k to £70k to reflect the actual amount paid

The total amount payable to the Chief Executive, who was also the highest paid director, in respect of emoluments was £166,263 (2021-22 - £199,463 payable to the Development Director). Pension contributions of £16,349 were made during the year (2021/22 - £15,402).

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.

Three other directors were members of the SHPS defined contribution pension scheme between as at 31 March 2023.

10 Directors' and key management personnel remuneration (continued)

In the previous year two executive directors were paid £131,148 for loss of office. There were no such payments during the current year.

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

	Group 2023 Number	Group 2022 Number	Association 2023 Number	Association 2022 Number
£60,000 - £69,999	**19**	12	**19**	12
£70,000 - £79,999	**8**	8	**8**	8
£80,000 - £89,999	**5**	4	**5**	4
£90,000 - £99,999	**2**	1	**2**	1
£100,000 - £109,999	**1**	2	**1**	2
£110,000 - £119,999	**-**	1	**-**	1
£120,000 - £129,999	**-**	2	**-**	2
£130,000 - £139,999	**-**	-	**-**	-
£140,000 - £149,999	**1**	-	**1**	-
£150,000 - £159,999	**1**	-	**1**	-
£160,000 - £169,999	**-**	-	**-**	-
£170,000 - £179,999	**-**	1	**-**	1
£180,000 - £189,000	**1**	-	**1**	-
£190,000 - £199,000	**-**	-	**-**	-
£200,000 - £299,999	-	1	-	1

11 Board member fees, Board and committee membership

Non-Executive Board members	Remuneration	Group Board	Finance	Corporate	Audit & Risk	Services	Estates
Sandeep Katwala *	£12,000	√					
Steve Smith **	£2,250	√					
Debbie Sorkin	£6,500	√				√	
Visakha Sri Chandrasekera	£6,500	√					√
John Holman	£4,500	√					√
Hugh Thornbery	£6,500	√		√		√	
Paul Williams	£6,500	√	√		√		
Terence Gallagher	£6,500	√	√		√		
Sheila Fitzsimons	£4,500	√		√			
Liz Curran ****	£2,500		√		√		
Mike Stiff ****	£1,250		√				
Gursharanjit Bains ****	£2,500		√		√		
Stephen Jack (Chair) ***	£0	√					

* Left on 31 March 2023

** Left on 18 October 2022

*** Joined on 20 March 2023

**** Non Board Independent Committee members

11 Board member fees, Board and committee membership (continued)

Total expenses paid to Board members in the year amounted to £1,768 (20: £119). Expenses were as follows.

	Group 2023 £	Group 2022 £
Terence Gallagher	**1,168**	60
John Holman	**328**	59
Steve Smith	**38**	
Visakha Sri Chandrasekera	**99**	-
Liz Curran	**89**	-
Paul Williams	**46**	
	1,768	119

12 Surplus on property disposal

Group and Association	Shared ownership 2023 £'000	Other housing properties 2023 £'000	Total 2023 £'000	Total 2022 £'000
Housing Properties:				
Disposal proceeds	**3,700**	**8,003**	**11,703**	4,101
Cost of disposals	**(1,821)**	**(1,319)**	**(3,140)**	(1,189)
Selling costs	**(10)**	**(8)**	**(18)**	(34)
Grant recycled (note 24)	**(34)**	**(179)**	**(213)**	(62)
Surplus on disposal of fixed assets	**1,835**	**6,497**	**8,332**	2,816

13 Interest receivable and income from investments

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Interest receivable from group undertakings	**-**	-	**25**	34
Interest receivable and similar income from third parties	**170**	36	**146**	4
	170	36	**171**	38

14 Interest payable and similar charges

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Interest payable on bank loans and overdrafts	**4,869**	3,765	**4,869**	3,765
Interest payable on other loans	**5,958**	5,960	**5,958**	5,960
Loan Costs Written off on Bank Loans & Overdrafts	**280**	143	**280**	143
Loan Costs Written off on Other Loans	**24**	24	**24**	24
Recycled capital grant fund	**13**	-	**13**	-
Net interest on defined benefit liability	**47**	-	**47**	-
Interest capitalised on construction of housing properties	**(2,273)**	(1,475)	**(2,273)**	(1,475)
	8,918	8,417	**8,918**	8,417
Other financing costs through other comprehensive income				
(Gain)/loss on fair value of hedged derivative instruments	**(2,873)**	(1,487)	**(2,873)**	(1,487)
	6,045	6,930	**6,045**	6,930

15 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 2022	514,468	35,927	87,112	28,876	666,383
Additions:					
- construction costs		11,176	-	4,003	15,179
- replaced components	3,393	-	-	-	3,393
- fire safety works	3,152	-	-	-	3,152
- energy improvements	842	-	-	-	842
Transfers from Stock	-	-	-	(466)	(466)
Completed schemes	-	-	-	-	-
Change of tenure	8,745	(8,745)	5,616	(5,616)	-
Disposals:					
- properties	(1,439)	-	(1,872)	-	(3,311)
- replaced components	(825)	-	-	-	(825)
At 31 March 2023	**528,336**	**38,358**	**90,856**	**26,797**	**684,347**
Depreciation:					
At 1 April 2022	82,108	-	-	-	82,108
Charge for the year	7,511				7,511
Eliminated on disposals:					
- replaced components	(699)	-	-	-	(699)
- properties	(248)	-	-	-	(248)
At 31 March 2023	**88,672**	**-**	**-**	**-**	**88,672**
Impairment:					
At 1 April 2022	691	750	27	-	1,468
Released in the year	-	-	-	-	-
Impairments in the year	-	-	686	-	686
At 31 March 2023	**691**	**750**	**713**	**-**	**2,154**
Net book value at 31 March 2023	**438,973**	**37,608**	**90,143**	**26,797**	**593,521**
Net book value at 31 March 2022	431,669	35,177	87,085	28,876	582,807

15 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 2022	502,506	35,930	86,996	28,876	654,308
Transferred from Octavia Foundation	780	-	-	-	780
Additions:					
- construction costs	-	11,176	-	4,002	15,178
- replaced components	3,393	-	-	-	3,393
- fire safety works	3,152	-	-	-	3,152
- energy Improvements	842	-	-	-	842
Transfers from Stock	-	-	-	(466)	(466)
Completed schemes	8,745	(8,745)	5,616	(5,616)	-
Disposals:					-
- properties	(1,439)	-	(1,872)	-	(3,311)
- replaced components	(825)	-		-	(825)
At 31 March 2023	**517,154**	**38,361**	**90,740**	**26,796**	**673,051**
Depreciation:					
At 1 April 2022	80,359	-	-	-	80,359
Transferred from Octavia Foundation	188				188
Charge for the year	7,511	-	-	-	7,511
Eliminated on disposals:					
- replaced components	(699)	-	-	-	(699)
- properties	(247)	-	-	-	(247)
At 31 March 2023	**87,112**	**-**	**-**	**-**	**87,112**
Impairment:					
At 1 April 2022	368	1,441	27	-	1,836
Released in the year	-	-	-	-	-
Impairments in the year	-	-	686	-	686
At 31 March 2023	**368**	**1,441**	**713**	**-**	**2,522**
Net book value at 31 March 2023	**429,674**	**36,920**	**90,027**	**26,796**	**583,417**
Net book value at 31 March 2022	421,779	34,489	86,969	28,876	572,113

Pursuant to a Charity Commission Scheme and uniting direction, Octavia Foundation was the corporate trustee of the Octavia Hill Housing Trust Gift Fund (the Gift Fund). The Gift Fund was deregistered from the Charity Commission and delinked from Octavia Foundation. Octavia Housing is the new corporate trustee and ownership of the Gift Fund assets have been transferred to Octavia Housing. Octavia Housing is in the process of registering the Gift Fund with the Charities Commission.

Completed Housing properties held for letting relating to the Gift Fund, with a Cost of £780,000 and Depreciation of £188,000 at 1 April 2022 have been transferred to Octavia Housing.

15 Tangible fixed assets – housing properties (continued)

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**357,620**	356,207	**346,924**	345,513
Long leasehold	**213,351**	222,293	**213,351**	222,293
Short leasehold	**22,550**	4,307	**22,550**	4,307
	593,521	582,807	**582,825**	572,113
Interest capitalisation				
Interest capitalisation in the year	**2,273**	1,475	**2.273**	1,475
Rate used for capitalisation	**3.90%**	4.00%	**3.90%**	4.00%
Major repairs to properties and replaced components				
Expenditure to existing properties capitalised	**7,387**	4,293	**7,387**	4,293
Expenditure to income and expenditure account	**448**	531	**447**	531
	7,835	4,824	**7,834**	4,824
Total Social Housing Grant received or receivable to date is as follows:				
Capital Grants:				
- deferred capital grant (note 23)	**186,647**	189,263	**191,635**	194,344
- amortised to the Statement of Comprehensive Income	**38,962**	36,888	**38,962**	36,888
Recycled capital grant fund (note 24)	**1,942**	886	**1,942**	886
Capital grant not recognised but due on disposal	**5,081**	5,081	**-**	-
	232,632	232,118	**232,539**	232,118

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 £0.686m (2021/22: £0.691m) against the carrying amount of cost to date.

Properties charged as security

As at 31 March 2023 3,173 (2022: 3,072) properties with a book value of £226m (2022: £205m) were charged as security for loans made to Octavia Housing.

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:

15 Tangible fixed assets – housing properties (continued)

	2023 £'m	2022 £'m
Open Market Value with Vacant Possession	**2,625**	2,657
Market Value subject to existing Tenancies	**1,442**	1,361
Existing Use Value for Social Housing	**685**	626
Estimated Annual Market Rent of General Needs social rented portfolio	**95**	86
Actual annual rent roll of General Needs social rented portfolio	**31**	26

As at the date of valuation and at the time this report was drafted, there were several negative factors recognised as influencing real estate markets, exerting downward pressure on asset values and reducing liquidity. These include:

Global Economy

The wider global economy continues to face challenges that cumulatively contribute to cost inflation, interest rate changes and consumer confidence thereby resulting in a more volatile transactional market. Issues in the banking and financial services sectors may prove to exacerbate an already volatile situation.

Market activity

Real estate markets can mostly be described as functioning but there is reduced transaction activity and the sentiment of buyers and sellers across some markets has been impacted. These factors have led to softer pricing across all sectors. There is a general perception and expectation of continued changes, and there is a risk that continued volatility, coupled with changes in debt costs, will have a direct impact on pricing as yields continue to evolve. There remains evidence of wide bid spreads, price renegotiations and transactions taking a long time to complete, which all add to the market dynamics.

Ukraine

The war in Ukraine is continuing and its wider long-term implications remain unknown. At the present time, certain locations within Europe are facing difficult investment market conditions as a direct result of the war. This explanatory note has been included to ensure transparency and to provide further insight of the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly, we highlight the critical importance of the valuation date and advise you to keep the valuation under regular and early review.

16 Other tangible fixed assets

Group	Freehold Buildings £'000	Motor vehicles £'000	Fixtures, fittings, and equipment £'000	Total £'000
Cost or Valuation				
At 1 April 2022	11,047	53	9,684	20,784
Additions & other adjustment	327	-	966	1,293
Transfer to Investment properties	(39)	-	(38)	(77)
At 31 March 2023	**11,335**	**53**	**10,612**	**22,000**
Depreciation				
At 1 April 2022	(1,843)	(53)	(7,182)	(9,078)
Charge for the year	(144)	-	(1,153)	(1,297)
Transfer to Investment properties	12	-	30	42
At 31 March 2023	**(1,975)**	**(53)**	**(8,305)**	**(10,333)**
Net book value				
At 31 March 2023	**9,360**	**-**	**2,307**	**11,667**
At 31 March 2022	9,204	-	2,502	11,706

Association	Freehold Buildings £'000	Motor vehicles £'000	Fixtures, fittings, and equipment £'000	Total £'000
Cost or Valuation				
At 1 April 2021	11,047	53	9,684	20,784
Additions & other adjustment	327	-	966	1,293
Transfer to Investment properties	(39)	-	(38)	(77)
At 31 March 2023	**11,335**	**53**	**10,612**	**22,000**
Depreciation				
At 1 April 2021	(1,843)	(53)	(7,182)	(9,078)
Charge for the year	(144)	-	(1,153)	(1,297)
Transfer to Investment properties	12	-	30	42
At 31 March 2023	**(1,975)**	**(53)**	**(8,305)**	**(10,333)**
Net book value				
At 31 March 2023	**9,360**	**-**	**2,307**	**11,667**
At 31 March 2022	9,204	-	2,502	11,706

17 Investment properties

Group and Association	2023 Total £'000	2022 Total £'000
Valuation:		
At 1 April	**15,394**	14,835
Additions	**34**	-
Revaluation	**898**	559
At 31 March	**16,326**	15,394

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 2023 indicated a value of £16.3m.

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.

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

Group and Association	2023 £'000	2022 £'000
Historic cost	**6,297**	6,219
Accumulated depreciation	**(2,690)**	(2,526)
	3,607	3,693

18 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	2023 and 2022 Investment carrying value £'000
Octavia Hill Limited	England	100%	Dormant	-
Octavia Development Services Limited	England	100%	Dormant	-
Octavia Foundation	England	100%	Registered	-
Octavia Living Limited	England	100%	Trading	**10**
				10

Octavia Foundation had an investment in a fund managed by CCLA which was valued at £0.68m at 31 March 2023 (31 March 2022: £1.72m).

During the year Octavia Foundation disposed of £0.98m of investments (2022: £0.1m).

19 Inventories including properties for sale

Group	First tranche shared ownership properties 2023	Total 2023 £'000	Total 2022 £'000
Housing work in progress	**8,932**	**8,932**	10,306
Impairments in the year	**(300)**	**(300)**	-
	8,632	**8,632**	
Completed housing properties for sale	**3,019**	**3,019**	2,107
	11,651	**11,651**	**12,413**

Association	First tranche shared ownership properties 2023	Total 2023 £'000	Total 2022 £'000
Housing work in progress	**8,932**	**8,932**	9,625
Impairments in the year	**(300)**	**(300)**	-
	8,632	**8,632**	
Completed housing properties for sales	**3,019**	**3,019**	2,107
	11,651	**11,651**	**11,732**

Impairment

During the current year, the Group and Association have considered the current valuations of housing stock work in progress first tranche shared ownership properties and consider an impairment loss of £0.300m (2021/22: £nil) relating to the development of Afrex House necessary.

20 Trade and other receivables

	Group 2023 £'000	Group 2023 £'000	Association 2023 £'000	Association 2022 £'000
Due within one year				
Rent and service charge arrears	**1,780**	583	**1,780**	583
Less: Provision for doubtful debts	**(1,295)**	(143)	**(1,295)**	(143)
	485	440	**485**	440
Amounts owed by group undertakings	**-**	-	**481**	1,458
Amounts held by lenders as security for borrowings	**690**	521	**690**	521
Other debtors	**5,393**	5,642	**5,313**	5,523
Prepayments and accrued income	**2,602**	1,883	**2,602**	1,883
	9,170	8,486	**9,571**	9,825
Due after one year				
Interest rate swap – cash flow hedge	**336**	-	**336**	-
	336	-	**336**	-
	9,506	8,486	**9,907**	9,825

Amounts owed by group undertakings relate primarily to a Gift Aid donation from Octavia Living of £0.319m, and £0.243m relating to the transfer of the Gift Fund from Octavia Foundation.
In the prior year £880k related to a loan from Octavia Housing to Octavia Living Ltd, This was repaid in full during the prior year. The loan was given at arm's length at an interest rate of 4.65% with a non-utilisation fee of 1.65%

The remaining amount held by lenders for borrowing of £0.69m relates to one year's interest on the Affordable Housing Finance (AHF) loan, which is held by AHF in a liquidity reserve fund.

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

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Capital creditors	**741**	3,604	**741**	3,604
Loans and borrowings (note 25)	**20,993**	1,020	**20,994**	1,020
Accruals and deferred income (incl Holiday pay)	**5,028**	2,474	**5,028**	2,435
Deferred capital grant (note 23)	**2,196**	2,196	**2,290**	2,290
Other creditors	**2,030**	1,440	**2,028**	1,440
Trade creditors	**820**	1,852	**820**	1,850
Rent and service charges received in advance	**1,610**	1,076	**1,610**	1,076
Accrued interest	**2,040**	1,858	**2,040**	1,858
Leasehold repairs funds	**1,679**	1,566	**1,679**	1,566
Taxation and social security	**468**	500	**468**	500
Recycled capital grant fund (Note 24)	**1,481**	-	**1,481**	-
Social Housing Grant	**5,532**	6,744	**5,532**	6,744
Amount owed to group undertaking	**-**	-	**-**	-
Pension schemes	**-**	12	**-**	12
	44,618	24,342	**44,711**	24,395

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

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Loans and borrowings (note 25)	**261,085**	277,777	**261,085**	277,777
Interest rate swap – cash flow hedge	**-**	2,537	**-**	2,537
Deferred capital grant (note 23)	**184,451**	187,066	**189,344**	192,053
Recycled capital grant fund (note 24)	**461**	886	**461**	886
	445,997	468,266	**450,890**	473,253

23 Deferred capital grant

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
At 1 April	**189,263**	191,104	**194,344**	196,279
Grants received during the year	**601**	700	**601**	700
Grants transferred from/(to) RCGF	**(1,450)**	(455)	**(1,450)**	(455)
Released to income during the year	**(1,980)**	(2,148)	**(2,073)**	(2,242)
Other adjustments	**213**	62	**213**	62
At 31 March	**186,647**	189,263	**191,635**	194,344

Deferred capital grant of £2.2m (2021/22 - £2.2m) is due within one year, the amount due after one year is £184m (2021/22 - £187m).

24 Recycled capital grant

Group and Association **Funds pertaining to activities within areas covered by**	GLA 2023 £'000	GLA 2022 £'000
At 1 April	**886**	425
Inputs to fund:		
Grant recycled from deferred capital grants	**1,255**	395
Grant recycled from Statement of Comprehensive Income	**213**	62
Interest accrued	**13**	4
Recycling of grant:		
New build	**(425)**	-
At 31 March	**1,942**	886

The recycled capital grant fund due within 1 year is £1.5m (2022: £0.45m), the amount due after one year is £0.46m (2022: £0.43m).

25 Loans and borrowing

Maturity of debt:

Group and Association	Capital markets 2023 £'000	Bank loans 2023 £'000	Total 2023 £'000
In one year or less, or on demand	5	20,988	**20,993**
In more than one year but not more than two years	18	3,163	**3,181**
In more than two years but not more than five years	47	41,046	**41,093**
In more than five years - by instalment	514	44,402	**44,916**
In more than five years - by bullet	167,371	4,524	**171,895**
	167,955	114,123	**282,078**

Group & 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

Net debt reconciliation

Group	Balance 1st April 2022 £'000	Cash flows £'000	Other Non-cash £'000	31 March 2023 £'000
Cash at bank and in hand including investments	20.330	(6,250)	-	14,080
Bank loans	278,797	3,281	-	282,078
Net debt	**299,127**	**(2,969)**	**-**	**296,158**

Association	Balance 1st April 2022 £'000	Cash flows £'000	Other Non-cash £'000	31 March 2,023 £'000
Cash at bank and in hand including investments	20,116	(6,512)	-	13,604
Bank loans	278,797	3,281	-	282,078
Net debt	**298,913**	**(3,231)**	**-**	**295,682**

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 2023 the Association had undrawn, secured and available loan facilities of £154.7m (March 2022: £50.2m).

26 Financial instruments

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

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Financial assets				
Financial investments measured at fair value	**684**	1,717	**-**	-
Derivative financial instruments designated as hedges of variable interest rate risk	**336**	-	**336**	-
Total financial assets	**1,020**	1,717	**336**	-
Financial liabilities				
Derivative financial instruments designated as hedges of variable interest rate risk	**-**	2,537	**-**	2,537
Total financial liabilities	**-**	2,537	**-**	2,537

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 4.05% per annum.

The derivative is accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a positive fair value of £0.34m (2021/22 negative fair value of £2.5m) 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 £2.9m (2021/22: £1.5m) with almost all the entire charge being recognised in Other Comprehensive Income as the swap is a 157.56% effective hedge, as follows:

Association and group	2023 £'000	2022 £'000
Negative fair value at 1 April	**(2,497)**	(3,984)
Change in fair value charged to Statement of Comprehensive Income	**-**	-
Change in fair value charged to cash flow hedge reserve	**2,873**	1,487
Positive/(Negative) fair value at 31 March	**376**	(2,497)

27 Provision for liabilities and charges

Group and Association	2023 £'000	2022 £'000
Net pension liabilities	**1,441**	1,889
Other	**1,250**	-
	2,691	1,889

See note 28 for details of the net pension liabilities

Other provisions include £1.05m in respect of restructure costs (refer note 8) (202/22: £nil), and £0.2m for related costs thereon.

28 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.

28 Pensions – (continued)

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.

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

	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Defined benefit obligation at 1 April	**13,449**	**13,798**
Current service cost	(2)	76
Expenses	7	9
Interest expense	370	293
Contributions by plan participants	2	44
Actuarial losses / (gains) due to scheme experience	(58)	659
Actuarial losses / (gains) due to changes in demographic assumptions	(24)	(217)
Actuarial losses / (gains) due to changes in financial assumptions	(3,596)	(902)
Benefits paid and expenses	(335)	(311)
Defined benefit obligation at end of period	**9,813**	**13,449**

Reconciliation of movements in the fair value of assets

	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Fair value of plan assets at	**11,521**	11,469
Interest income	**322**	247
Experience loss on plan assets (excluding amounts included in interest income)	**(3,923)**	(328)
Contributions by the employer	**378**	400
Contributions by plan participants	**2**	44
Benefits paid and expenses	**(335)**	(311)
Fair value of plan assets at	**7,965**	11,521

28 Pensions – (continued)

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£3.601m) (2021/22: £0.13m).

Defined benefit costs recognised in the Statement of Comprehensive Income

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

	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Current service cost	(2)	76
Expenses	7	9
Net interest expense	48	46
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	53	131
Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	(3,923)	(328)
Experience gains and losses arising on the plan liabilities - gain / (loss)	58	(659)
Effects of changes in the demographic assumptions underlying the present value of the	24	217
Effects of changes in the financial assumptions underlying the present value of the	3,596	902
Total amount recognised in other comprehensive income - (loss) / gain	(245)	132

28 Pensions – (continued)

Scheme assets

The schemes assets consist of the following:

	31 March 2023 £'000	31 March 2022 £'000
Global equity	**149**	2,211
Absolute return	**86**	462
Distressed opportunities	**241**	412
Credit relative value	**301**	383
Alternative risk premia	**15**	380
Emerging markets debt	**43**	335
Risk sharing	**586**	379
Insurance-linked securities	**201**	269
Property	**343**	311
Infrastructure	**910**	821
Private debt	**354**	295
Opportunistic illiquid credit	**341**	387
High yield	**28**	99
Opportunistic credit	**1**	41
Cash	**57**	39
Corporate bond fund	**-**	769
Long lease property	**240**	297
Secured income	**366**	429
Liability driven investment	**3,668**	3,215
Currency hedging	**15**	(45)
Net current assets	**20**	32
Total assets	**7,965**	11,521

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 2023 % per annum	31 March 2022 % per annum
Discount rate	**4.88**	2.79
Inflation (RPI)	**3.20**	3.66
Inflation (CPI)	**2.74**	3.23
Salary growth	**3.74**	4.23

28 Pensions - (continued)

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	**21.0**
Female retiring in 2023	**23.4**
Male retiring in 2043	**22.2**
Female retiring in 2043	**24.9**

The Growth Plan - defined benefit schemes

The Group ceased its participation in the Growth Plan managed by the Pensions Trust with effect from 30 November 2021. At the time of cessation, the plan had a deficit of £92m as assessed by comparing the value of the Plan's assets to the Plan's liabilities calculated using an annuity buy-out basis. Under section 75 of the Pensions Act 1995, the debt in respect of the employer's share of the deficit was £45,176 as at 30 November 2021 which was paid during the 2022/23 financial year.

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.
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.

28 Pensions - (continued)

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 2023 £'000	31 March 2022 £'000
Present value of defined benefit obligation	**1,069**	1,548
Fair value of plan assets	**(1,476)**	(1,587)
Defined benefit (asset)/liability	**(407)**	(39)

Reconciliation of movements in the defined benefit obligation

	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Defined benefit obligation at 1 April	**1,548**	1,603
Current service cost	**51**	55
Interest expense	**43**	32
Contributions by plan participants	**7**	7
Actuarial (gains) /losses due to scheme experience	**117**	2
Actuarial losses / (gains) due to changes in demographic assumptions	**(91)**	5
Actuarial losses / (gains) due to changes in financial assumptions	**(583)**	(139)
Past service costs and curtailments	**(23)**	(17)
Defined benefit obligation at end of period	**1,069**	1,548

Reconciliation of movements in the fair value of assets

	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Fair value of plan assets at 1 April	**1,587**	1,340
Interest income	**44**	27
Return on assets less interest	**(89)**	202
Contributions by the employer	**28**	28
Contributions by plan participants	**7**	7
Benefits paid and expenses	**(23)**	(17)
Actuarial losses due to scheme experience	**(78)**	
Fair value of plan assets at end of period	**1,476**	1,587

28 Pensions - (continued)

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

	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Current service cost	**51**	55
Expenses		
Net interest expense	**(1)**	5
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	**50**	60
Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	**(89)**	202
Experience gains and losses arising on the plan liabilities - gain / (loss)	**(195)**	(2)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	**91**	(5)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	**583**	139
Total amount recognised in other comprehensive income - gain (loss)	**390**	334

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is estimated to be negative 2.9% (2021/22: 17%). The actual return on the fund over the year may be different.
The estimated asset allocation for Octavia as at 31 March 2023 is as follows:

	31 March 2023 %	31 March 2022 %
Equities	**83**	76
Property	**8**	6
Cash	**9**	18
Total assets	**100**	100

The following assumptions have been used in the pension calculations:

	31 March % per annum	31 March % per annum
Discount Rate	**4.75**	2.75
Pension increase	**2.95**	3.15
Salary Growth	**3.95**	4.15

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:
Projected pension expense for the year to 31 March 2023.

28 Pensions - (continued)

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years) 31 March 2023	Life expectancy at age 65 (Years) 31 March 2022
Current male pensioners	**22.1**	21.4
Current female pensioners	**23.5**	24.1
Future male pensioners	**19.4**	22.9
Future female pensioners	**25.3**	26.1

Projected pension expense for the year to 31 March 2023.

Projected expense	31 March 2023 £'000	31 March 2022 £'000
Service cost	**51**	55
Net interest on the defined liability (asset)	**1**	(5)
Total loss	**52**	50

The following have been reflected through other comprehensive income in the Statement of Comprehensive Income:

	31 March 2023 £'000	31 March 2022 £'000
Amounts not previously included in other comprehensive income on recognition of the defined benefit Social Housing Pension Scheme	**(85)**	-
Amounts not previously included in other comprehensive income on recognition of the defined benefit RBKC LGPS	**(121)**	-
Current year actuarial gains on defined benefit pension plans	**145**	415
Total actuarial (losses)/gains on defined benefit pension plans	**(61)**	415

29 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 2022 £	Issued £	Removed £	At 31 March 2023 £
44 Class “A” £1	44	-	(1)	**43**
5 Class "C" £5	25	-	-	**25**
As at 31 March	69	-	(1)	68

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.

30 Contingent liabilities

At 31 March 2023 there were no contingent liabilities recorded in the accounts.

31 Operating leases

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

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Amounts payable as a lessee				
Not later than 1 year	**751**	715	**751**	715
Later than 1 year and not later than 5 years	**2,350**	2,365	**2,350**	2,365
Later than 5 years	**129**	302	**129**	302
Total	**3,230**	3,382	**3,230**	3,382
Amounts receivable as a lessor				
Not later than 1 year	**823**	655	**823**	655
Later than 1 year and not later than 5 years	**2,793**	2,123	**2,793**	2,123
Later than 5 years	**4,937**	3,760	**4,937**	3,760
Total	**8,553**	6,538	**8,553**	6,538

The amounts payable as a lessee principally relate to rental obligations on charity shops. The lease for five Octavia Shops had expired as at 31 March 2023, of which three were renewed during the following year and one has been agreed subject to solicitor's instructions. We have assumed that leases will be extended for a minimum of five years.

The amounts receivable as a lessor comprises 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 £31m at 31 March 2023 (2021/22: £26m).

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 2023 amounted to £164.08m (2022: £151.4m) and the annual rental being charged at that date was £3.54m (2022: £2.4m).

32 Capital commitments

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Commitments contracted but not provided for:				
Construction	22,163	38,670	22,163	38,670
Commitments approved by the Board but not				
Maintenance	11,116	5,571	11,116	5,571
	33,279	44,241	33,279	44,241

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

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Social Housing Grant	10,983	14,502	10,983	14,502
Borrowings from existing secured facilities	-	419	-	419
Sales of properties	11,180	23,749	11,180	23,749
	22,163	38,670	22,163	38,670

33 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:	2023 £'000	2022 £'000
Octavia Living Limited		
Interest	**24**	38
Total	**24**	38

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:

33 Related party transactions – (continued)

Payable by the Association to subsidiaries	2023 £'000	2022 £'000
Octavia Living Limited		
Sales commissions and programme management income	-	116
Total	-	116

Duration the year Octavia Foundation commissioned and paid Octavia Housing £0.222m (2021/22: nil) to run services for community benefit on its behalf.

Octavia Housing donated services to Octavia Foundation (including Human Resources, IT and finance support) to the value of £36,000 in 2022/23 (2021/22: £36,000).

During 2022/23 Octavia Housing received gift aid donations from Octavia Living totalling £319,778 (2021/22: £nil).

Intra-group loans

Entity granting loan	Entity receiving loan	At 1 April 2022 £'000	Movement £'000	At 31 March 2023 £'000
Octavia Housing	Octavia Living Limited	883	(883)	-
Octavia Housing	Octavia Foundation	40	(40)	-
		923	**(923)**	**-**

There were no intra-group loans outstanding at 31 March 2023. The intra-group loan from Octavia Housing to Octavia Living was for a maximum amount of £1m, repayable on 30 December 2022, bearing interest at a rate of 4.65% with a non-utilisation fee of 1.65%. The loan was secured by a first fixed charge over land. The loan was fully repaid on 16th November 2022 with the sale proceeds from the Cochrane Mews development.

Balances outstanding from the subsidiaries

Payable to/(from) Association by subsidiaries:	2023 £'000	2022 £'000
Octavia Living Limited	**349**	888
Octavia Foundation	**132**	570
	481	1,458

33 Related party transactions – (continued)

Board and Executive Management

There was one tenant member of the Board, Steve Smith, who retired on 18 October 2022, He did not have any arrears at 31 March 2023 (2021/22: £nil). Details of his remuneration are given in note 11 above. He does not 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 10 above.

Pensions

The defined benefit pension schemes participated in by Octavia are considered to be related parties and full details are set out in Note 28.

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