OCTAVIA

For the common good

Annual report and financial statements 2019/20

Contents

Board, executives and advisors

The Board

Sandeep Katwala	Chair
Debbie Sorkin	Acting Vice-Chair
Simon Porter	Treasurer
Sheila Fitzsimons	(appointed 22/07/2019)
Terry Gallagher	(appointed 01/01/2020)
Gwendoline Godfrey	(retired 31/10/2019)
Grahame Hindes	(retired 31/07/2019)
Malcolm Holloway	(retired 31/12/2019)
John Holman	(appointed 31/10/2019)
Annie Lathaen	(retired 31/10/2019)
Sandra Skeete	(appointed 02/09/2019)
Steve Smith	
Visakha Sri Chandrasekera	
Rosalind Stevens	
Angus Taylor	(retired 31/10/2019)
Hugh Thornbery	(appointed 31/10/2019)
Paul Williams	(appointed 01/01/2020)

Executive management

Grahame Hindes	Chief Executive (retired 31/7/2019)
Sandra Skeete	Chief Executive (appointed 02/09/2019)
Abbi Agana	Director of Business Excellence and Innovation (appointed 17/08/2020)
Lynsey Bradshaw	Finance Director
Noel Brosnan	Director of Asset Management (resigned 31/08/2020)
Caroline Davies	Director of Asset Management (appointed 08/07/2020)
Reena Mukherji	Director of the Octavia Foundation
Sarah Shaw	Director of Homes, Care and Community
David Woods	Development Director

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Principal Legal Advisors

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Chair's statement

Welcome to the 2019/20 report and financial statements

This has been a year of change at Octavia, as we adjust to meet important developments and challenges in the sector while striving to improve our services and provide more homes, support and care for people in London.

We continue to follow the principles of our Founder, Octavia Hill, to provide good quality homes through new development and improving our older homes. We have responded to updated guidelines around fire safety and are preparing for further changes in line with the expected new regulations. There has also been continued uncertainty for the sector over the impact of Brexit under the new Government.

New ways of working

We have met this with positive change within the organisation. While making the health and safety of residents our priority, we have also redesigned our services, adopted new ways of working and made

> Our performance through the year has been good and we remain ambitious to do better

better use of our resources and new technology to improve the work we do. In January, we launched our new brand, which galvanised the areas of our work across homes, support and care, making them better understood and more accessible to residents.

Performance throughout the year has been good and we remain ambitious to do better, as we strive to increase our supply of affordable homes for Londoners and reach more people with life changing support. Our regrade by the Regulator of Social Housing in the Autumn reflects our commitment to investing in developing new homes. Our Viability rating moved from V1 (Compliant) to V2 (Compliant) and our G1 Governance has not altered. The organisation remains financially strong and we have taken steps to manage risks, including refreshing our risk management framework and focussing on stress testing and recovery planning.

New Chief Executive

During the year we saw changes in leadership and on the Board. After 18 years as Chief Executive, Grahame Hindes retired in July 2019. We thank him for the enormous contribution he made to our work and mission. We are very pleased Sandra Skeete joined us in September as Chief Executive and we welcomed Sheila Fitzsimons, Hugh Thornbery, John Holman, Terry Gallagher and Paul Williams as non-executive Board members. We are sad to lose Board members Gwendoline Godfrey, Annie Lathaen, Angus Taylor and Malcolm Holloway and thank them for their contribution. Gwendoline Godfrey continues as a Trustee of the Octavia Foundation.

As always, we are extremely grateful for the help we have received from our supporters, partners and people who volunteer with our charity shops and community projects. This continued support enables us to fulfil our social purpose to extend our reach to more local people, for the common good.

We ended the financial year in the midst of COVID-19 with all the uncertainty that this pandemic brings to our residents, employees and stakeholders. I want to thank our staff for the outstanding response they have shown in these extremely challenging circumstances. We are doing everything we can to support our residents and the wider community.

Sandeep Katwala

Statement from the Chief Executive

In my first year as Chief Executive of Octavia, I have been delighted to join an organisation with such a dynamic history and respected track record of working with local communities to provide good homes, quality services and support for people in the heart of the Capital.

I have been struck by the dedication of the Board and my colleagues to Octavia's values and mission. There is a real sense of pride in our long legacy of empowering people and developing sustainable communities and we also have a strong focus on the future, with clearly understood objectives to increase our impact and reach. Octavia's focus on affordability means that very many people who would otherwise be priced out of living in central London, have a place here to call home.

This report comes in the final year of our 2018/21 Strategic Plan and we are on target to successfully meet the objectives we set out to achieve. It is a great privilege to serve this organisation as Chief Executive. I'm excited for our future and I look forward to building on the strength of our partnerships with our residents and stakeholders, to continue our forward momentum in the years ahead and do even more for people in London.

Sandra Skeete

We are Octavia

To achieve this we structure our work around five key business objectives:

- Providing excellent services
- Building more homes, maintaining quality homes
- Increasing our reach and impact
- Being financially strong
- Building a sustainable legacy

Our values further support these objectives and shape a forward-thinking working culture, where our colleagues are reliable, responsive, respectful and resourceful.

Founded by the Victorian philanthropist Octavia Hill in 1865. Our work today covers three areas: homes, support and care. We provide Londoners with quality, affordable housing. We empower people, connecting them with opportunities for a better life. We enable people, who would otherwise be priced out of London, to continue to live in the city. We provide opportunities for younger people and personalised care for older people who need it. We believe strongly in the power of connections and community.

In January 2020, we launched our new brand identity to clearly communicate our business objectives and better harness the unified strength of the Group to do more for our residents and communities. A core part of our brand is to remain true to our historic legacy of purpose and values, to continue our mission, embraced by our colleagues and partners, to “provide homes, support and care for the common good.”

Across the Group we work as one organisation, continuing to emphasise our Founder’s belief in people, while adapting to changing needs and harnessing the gains from improved technology and new ways of working.

External factors

We strive to anticipate and not just respond to change. While December’s general election delivered a significant majority Government, uncertainty remains in terms of economic and policy outlook.

The new Government's housing policy direction is still emerging and the challenges of social care and an ageing population remain pressing. Regulatory changes are likely in 2020 following Phase 1 of the Grenfell inquiry and in anticipation of the Social Housing White Paper. Resident safety remains a priority for Octavia and the wider sector.

In 2019/20, we managed rent arrears well and sales of our shared ownership homes remained robust. In the final year of the social rent reduction, we also introduced a focus on being financially strong as an organisation, to ensure we carry out our work with maximum financial responsibility. This focus is evident in our results for the year, which have held up well despite the impact of COVID-19.
In July 2020, our S&P rating was revised to A stable which continues to be a strong rating.

Octavia Hill was a prominent advocate for the environment as one of the first Clean Air campaigners and a co-founder of the National Trust. Like her, we are increasingly aware of our environmental responsibilities and are committed to take a long-term view in respect of the positive impact we want to make.

COVID-19

Like every other organisation in the UK, our organisation had to react speedily to the emergence of COVID-19 and the national lockdown in March.

Through good business continuity planning and our strong local partnership connections, we responded well to the necessary new ways of working. In handling the emergency we have made the health and safety of our residents and colleagues our main priority, while maintaining as many of our key services as possible.

We adapted our business and worked with local partners to offer extra support to our communities to help protect those most at risk from the infection. We also prioritised practical and emotional support for all of our older and more vulnerable residents, through personal telephone contact.

An increase of rent arrears was anticipated and our specialist team identified those at risk, ensuring residents were contacted and offered benefits advice and support. We kept in regular contact with all residents, including homeowners, to inform them about financial support available from the Government.

Although the full cost of COVID-19 cannot yet be calculated, we remain focussed on adhering to Octavia's "for the common good" strategic objectives. We are exercising prudent financial management while the uncertainty continues, concentrating on our value for money and risk management frameworks, and monitoring performance and financial impacts in our COVID-19 business recovery.

It is likely we will need to continue to respond to the impact of pandemic for some time, adapting our business as necessary and working in partnership with other organisations to ensure colleagues and people who use our services are protected and supported.

At a glance 2019/20

Through 2019/20 our colleagues have been working hard to meet our objectives across our homes, support and care services. Detailed below are our achievements at a glance.

Homes

- 87% of our residents are satisfied with their neighbourhood as a place to live
- 82% of residents are satisfied with our service
- 95% of residents are happy with their last repair
- Empty homes re-let faster than last year and good performance on rent arrears
- 100% of our properties have valid gas safety certificates
- 92% of our complaints were resolved by our local service managers
- Launched our new app for residents
- Improved our carbon footprint, through a higher energy performance rating

"Even if I won the lottery and was able to move I wouldn't. My neighbours are the best. I'm very happy here."
Octavia resident
(HouseMark STAR resident survey 2020)

Care

- 90% of our residents would recommend Octavia's Care and Support
- 88% overall resident satisfaction
- All of our seven residential extra care schemes have a "Good" CQC Rating (two with an outstanding feature for responsiveness)
- We support 128 residents to continue to live independently
- Completed 232 adaptations to residents' homes
- Provided 2,526 hours of befriending support
- Launched a re-enablement scheme supporting those coming out of hospital
- Offer an award-winning personal care-centred service

"I cannot praise the staff enough. They have so much love for my family member. I'm so thankful they are there."
Care Quality Commission assessment March 2020

Support

- Reached out and connected with 980 older, vulnerable people through our Better Lives programme at our extra care schemes and The Reed community centre
- Distributed £42,581 to small local charities
- Engaged with 338 individual young people, an increase of 100 compared with 2018/2019
- 276 people were supported with finding employment and training
- 261 residents received debt and welfare advice
- 1,019 people volunteered their time, including 616 from corporate teams, 227 to help run our charity shops and 123 as befrienders
- We opened our new charity shop in North Kensington on Golborne Road
- Continued support from the Friends of Octavia helped 222 people with grants for activities, events and access to food banks

"It was fantastic to see so many local people turn up to support the opening of our new shop, helping us to establish a presence right at the heart of the community we serve."
Reena Mukherji,
Director of the Octavia Foundation

Homes

Providing good quality, safe housing is the foundation of Octavia and drives our responsive customer service and commitment to be a social landlord that people can trust. Our homes, buildings and colleagues have performed well throughout 2019/20, adapting to challenges and change through ongoing collaboration and new ways of working.

Overall resident satisfaction is a result of many different factors. How safe an individual feels, the quality of their home, their experience of our service and how responsive we are to their problems. Our performance against key indicators and resident survey results show how our colleagues are working together to achieve high satisfaction across all areas of our services (see fig 1). However, we are committed to do even better and regard top quartile performance as a minimum standard and the baseline for further improvement.

Residents were surveyed independently by HouseMark in March 2020 (see fig 2). Their revised STAR methodology allows a direct comparison with over 300 social landlords in London and takes into account the recommendations of the Social Housing Green Paper.

Key highlights include:

- 87% of our residents are satisfied with their neighbourhood as a place to live
- 82% of our residents are satisfied with our ser vice
- 100% of our properties have valid gas safety certificates
- 95% of our residents are happy with their last repair
- Our customer contact calls answered in an average of 15 seconds
- Reports of ASB have fallen by 30%
- We let our empty (void) homes more quickly than last year
- Strong performance on rent arrears through supporting residents in difficulty

> 87% of our residents are satisfied with their neighbourhood as a place to live
>
> **HouseMark STAR resident survey 2020**

New homes: Buckingham Palace Road

Figure 1 - Key performance indicators

Performance indicator	2019-20	2018-19	London HouseMark comparison
Rent arrears as % of rent due	4.1%	3.9%	Upper median
Rent collection as % of rent due	99.8%	100.7%	Median
Void loss as % of rent due	0.4%	0.5%	Top quartile
Average voids standard re-let time in days	21	22	Top quartile
Number of ASB cases per 1,000 properties	12	17	Top quartile
% residents satisfied with last repair	95%	95%	Top quartile
% properties with valid landlord gas safety certificates	100%	100%	Top quartile
Average call answering in seconds	15	17	Top quartile
% staff turnover	19%	16%	Top quartile

We completed the development of 115 new homes in 2019/20

Health and safety

The safety of our residents and colleagues will always be of paramount importance to us. We have achieved 100% gas safety certification and fire risk assessments on all our properties, which we hope gives our residents peace of mind.

All risks are regularly reviewed by the Health and Safety Committee which meets quarterly and has delegated authority from the Executive team. Our experienced and qualified in-house Health and Safety team supports the wider organisation to understand and mitigate the risks within our residential homes and commercial properties.

We have a continuing programme of extensive fire safety works in place and are ready to respond to the new regulations when introduced later this year. Linked to this is the on-going works to replace aluminium composite materials (ACM) cladding on one building. Together with the original contractor, we are working on a second tall building (which does not have ACM cladding) where other necessary works have been identified.

Similarly, we believe our residents have the right to feel safe in their home and neighbourhood and so we're pleased to see a substantial decline in reports of ASB.

Figure 2 - 2020 HouseMark STAR resident satisfaction survey

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

*Insufficient sample size declared by HouseMark

Listening and learning

While many of our performance indicators are top quartile, we are always looking for ways to improve. Our robust complaints process enables any issues to be resolved and provides us with a solid framework for learning. The number of formal complaints Octavia received in 2019/20 was 115, a reduction on the 141 reported in 2018/19, with 92% resolved locally by our service managers. Our average response time was within our service standard of ten days. Nine complaints were escalated to our independent complaints panel and two of these were upheld. A further seven were taken to the Housing Ombudsman, and in one case the Housing Ombudsman found maladministration on the level of compensation offered. We took this case very seriously and responded by subsequently revising our Compensation Policy.

Resident involvement

Working closely with residents is something we have always done and is key to developing a responsive service. We know that people want the flexibility to influence in different ways. Our 'Your Voice' resident consultation group reports directly into our Board Services Committee for independent review and analysis of residents' concerns. Through our 'Walkabout Wednesdays' our staff are meeting residents in their homes and neighbourhoods. We spoke to 292 residents this year. Walks focussed on promoting new services like our new app and getting residents views on repairs.

Our resident repairs focus group led us to introduce a new simplified process so there is consistency across all reported general repairs. We held 28 events across the year attracting 411 residents - 91% of participants were satisfied they attended.

Rents arrears

Rents arrears for General Needs homes ended the year at 4.1%, an upper median result but just short of our target of 3.9%. By early March, arrears were at 3.83% and were on track to meet our target. However, unsurprisingly COVID-19 and the financial difficulties this created for many households impacted rent arrears. Our team responded proactively to support people experiencing financial difficulties and to explain the benefits they are entitled to during this unprecedented period. Their support will continue.

92%
of complaints resolved by local service managers

New homes: New Oxford Street

Our performance on Shared Ownership rent arrears at year end was above target at 1.53% (against a target of 1.76%). At the end of March 2020, Intermediate Rent homes in arrears were at 2.29%.

Prior to COVID-19 we continued to manage the impact of Universal Credit on rent arrears in a number of ways, including increasing personal contact by our Financial Inclusion team, maximising the use of the debt advice service through a preferential arrangement with the local Citizens Advice, and working with people to apply for Discretionary Housing Payments.

At the end of March 2020, we had 583 households with someone claiming Universal Credit and 91 affected by the under-occupation restrictions on housing benefit.

Adopting new ways of working

Good customer service is knowing that no one size fits all and utilising the benefits of new technology to make it easier for residents to access services at a time that suits them. We introduced new and improving IT processes, enabling our Contact team to deal with the majority of enquiries and service requests at the first point of contact.

We also increased resources to our Homeownership team, putting in place a new structure which includes a dedicated officer to manage service charge enquiries.

In addition, our new resident app, My Octavia, developed by our IT Team in partnership with our customer facing services, was launched in August 2019. It provides a quick and convenient way for residents to check their rent balance, view their rent statements and get in touch with us at any time of day. By March, over 900 residents were using the app. Our next step is to develop the app in partnership with our repairs contractor Mears, giving greater flexibility on how and when residents, including homeowners, can report repairs.

82%

of residents satisfied with the service from Octavia

Repairs and planned works

We have continued to prioritise maintenance and improvement of our homes. We completed a housing stock condition survey which gave a good report but highlighted the need for continued investment.

We continue to work with our partners, Mears and Village Heating, to deliver a high performing repairs service - 95% of our residents reported being happy with their last repair, a top quartile result.

In 2019/20 we achieved our planned works targets, completing cyclical maintenance to 440 homes. This includes replacing and renewing 55 kitchens and 56 bathrooms and replacing 195 boilers.

Looking to the future our focus is to develop a repairs service that continues to deliver quality and value. We are re-tendering for a new Mechanical and Engineering contract to cover planned servicing and repairs and renewals, with a view to having a new ten year contract in place by 2021. The contract, which follows EU procurement regulations, will bring further benefits to our residents around value for money and consistency of service.

Reducing our carbon footprint.
We want to create a legacy that lasts beyond the next 150 years. To do this, we believe in looking after people and looking after our environment. Over the last year we have made good progress in making our organisation and homes (present and future) more sustainable, collectively reducing our carbon footprint. We have done this through a number of measures, including replacing windows to 146 homes, adding external wall insulation to 53 homes, damp proofing 34 and providing flat roof insulation to 12, as well as adding internal wall insulation and installing underfloor heating to a small number of homes.

In October 2019, we achieved a Gold accreditation in SHIFT sustainability, a standard specifically designed for the housing sector. The assessment provides a comprehensive analysis of our sustainability performance across strategy and leadership, existing homes and offices, supply chains and operations and new builds.

> **To everyone at Octavia Housing, thank you for allowing myself and my little boy to live this exciting chapter in our lives**
>
> **New Octavia resident**

New homes: Eden House, Hounslow

New homes: Hathaway House, Maida Vale

Octavia was ranked the fourth highest out of 40 UK Housing providers to be assessed.

The work we have taken has also improved the Standard Assessment Procedure (SAP) rating of our housing stock, the Government's approved methodology for calculating the energy performance of homes. At 71.03, our SAP rating is higher than the social housing average and an improvement on last year's rating of 69.

Our Sustainability Strategy directs the changes we are making to ensure 80% carbon reduction and a SAP rating of 86 by 2050. Our aim is to meet the target of net zero carbon by this date. It will also address management of green spaces, pollution, and waste/recycling.

Building in partnership - new homes for Londoners

With strong partnerships we continue to build good quality, affordable homes for Londoners. Like our founder, Octavia Hill, we believe good homes make for better lives. So we go out of our way to create spaces people will thrive in.

We completed the development of 115 new homes in 2019/20, 69% of those were located in the highly desirable central London boroughs of Westminster, Camden and Kensington and Chelsea.

These homes were:

- 47 London Affordable Rent
- 31 Intermediate Rent
- 37 shared ownership

Our commitment to "people not profit" means 50% of the homes we build are for social/ affordable or Intermediate Rent.

Figure 3 - Number of Octavia homes at 31 March 2020, by tenure

Tenure	**Ownership/ management**	**Number of homes**
General Needs	Owned and managed by Octavia Owned and managed by others	3,307 4
Intermediate Rent	Owned and managed by Octavia	135
Affordable Rent	Owned and managed by Octavia	454
Supported Housing	Owned and managed by Octavia Owned and managed by others	199 81
Housing for Older People	Owned and managed by Octavia	139
Shared Ownership	Sold Unsold	450 37
Leaseholders	Managed by Octavia	280
Student	Owned and managed by Octavia	125
Total		**5,211**

Highlights include:

- A specially adapted bungalow built on our land for a family with accessibility needs
- 23 Intermediate Rent flats in Victoria
- 4 Intermediate Rent flats and 12 flats for rent in Queen Anne's Gate close to St James's Park

95%

of residents happy with their last repair

Our Development team has fostered strong positive partnerships with local authorities, housing associations and commercial house builders. Octavia is a preferred partner for both the public and private sector.

This collaborative approach means we are on track to achieving our target of building 200 new homes a year. Our ongoing development programme includes 230 homes under construction and 258 homes where terms are agreed or acquired.

We continue to lead the Connected Housing Partnership with Shepherds Bush Housing Group and Origin Housing. This is a £57m investment to develop 1,408 homes by 2023. Our Partnership has bold ambitions and we are forecasting to exceed this target and build more. It is a strategic development partner with the Greater London Authority and signed up to the OJEU framework.

Figure 4 - Homes completed and in development 2019/2020 by local authority

Local authority	Homes completed 2019/2020	Homes in construction 31/3/2020	Developments with contracts agreed but not signed on 31/3/2020	Affordable Rent	Shared Ownership	Intermediate Rent
Barnet	-	-	26	-	26	-
Brent	-	131	22	81	72	-
Camden	22	-	-	14	-	8
Ealing	4	-	63	25	42	-
Hammersmith & Fulham	-	38	8	14	8	24
Harrow	-	20	60	60	20	-
Hounslow	31	19	20	41	29	-
Kensington and Chelsea	4	-	-	4	-	-
Wandsworth	-	6	44	9	39	2
Westminster	54	16	15	20	27	38
Total	**115**	**230**	**258**	**268**	**263**	**72**

As well as creating social housing we are committed to creating more homes for shared ownership, giving Londoners the opportunity to own a permanent home.

- This year we completed the sale of 29 shared ownership homes across three developments, where the average share purchased was 30%
- Our Witley Wharf development in Ealing has the greatest number of shared ownership homes (48) on an Octavia development since 2008
- 23 of our existing owners took the opportunity to staircase and purchase more shares in their property – the average share purchased was 38%

Care

We care, we connect and we look after our older and vulnerable residents with tailored compassionate support. Our range of not-for-profit services includes day care, personalised outreach, extra care and sheltered housing. We support people to live independently and we specialise in providing award-winning care for those experiencing dementia or with complex needs.

Our approach continues to achieve consistently high levels of satisfaction. Ninety per cent of residents would recommend Octavia's Care and Support to others. Overall resident satisfaction with our Care services remains high at 88%, a top quartile rating.

Four of Octavia's seven residential extra care homes were inspected by the Care Quality Commission (CQC) during 2019/20. Park Lodge, Burgess Field, Highlever Road and Leonora House.

Each scheme offers various levels of care to support independent living, with one specialising in dementia care. We are pleased to report we achieved a 'good' care rating in every inspection, with Leonora House becoming our second scheme to receive an "outstanding" feature for responsiveness. The commission assessed and rated our services across five regulatory criterias, whether they are safe, effective, caring, responsive and well-led.

> Services tailored to meet the needs of individuals
>
> **Care Quality Commission**

These positive results for our residents, their relatives and our colleagues, demonstrate our investment in learning and continuous improvement. In 2019, we launched a new policy around person-centred care, introducing new procedures and toolkits for our care professionals to follow.

We believe that personal, compassionate care provides our residents with respect and ensures they receive the tailored service they need. Our staff are trained and motivated to gain in-depth knowledge of our residents, to identify and offer the individual care they need. In the words of one resident: "They know I like support early in the morning, how I like my food and have encouraged me to make friends and be involved. They know everything about me."

We completed the implementation of our review of all our 34 supported housing schemes to ensure that our buildings are fit for purpose and meet the needs of our residents.

This included improving the interior of two schemes, re-organising a service and closing one scheme to reinvest funds into new supported housing.

Independence

An essential part of our work is enabling our residents, and other people who use our services to live as independently as possible. This year we combined our resources across Care and our Foundation to create a new Better Lives team, empowering our staff to work more closely together to offer support and connection through outreach and befriending activities. As one resident told us: "Just one call makes a difference."

The team supported 128 residents to continue to live independently and well throughout 2019/20, providing 42 new befriending connections and 2,526 hours of befriending support in the London boroughs of Westminster and Kensington and Chelsea.

90%

of residents would recommend Octavia's Care and Support

Making sure our residents' homes are safe and accessible is a key part of our work. We completed 232 adaptations to residents' homes in 2019/20, an investment of £283,480. Thirty nine of these were major adaptations, all completed within our 13 week target.

Helping people get back on their feet

With funding from Kensington and Chelsea Adult Social Care we have developed three flats in one of our extra care schemes to work as re-enablement homes for older people coming out of hospital. The spaces allow independence, while supporting recovery in a safe, controlled space, where we can help identify any extra needs.

A better 'End to Life'

In partnership with St Christopher's, a leading London based hospice, Octavia has commissioned a project to ensure residents in our care have the right to choose where they die and that they and their families receive the best support at this difficult time. This initiative, which builds on previous work, supports our staff so they are empowered to ask sensitive questions and provide tailored care to enable end of life wishes. Our aim is to share our learning with others once the project is completed.

Compassionate care, compassionate colleagues

Exceptional care professions are an essential part of Octavia's Care service. Their skill, care and kindness enables our personalised care. We were delighted that our colleagues were recognised by our peers as regional finalists of the British Care Awards and one Octavia carer, Bridget Keane, was awarded winner of the London Dementia Carer Award 2019.

Support

> People not profit - Increasing our community reach for the common good

The fact that 87% of our residents are satisfied with their neighbourhood, not just their homes, is important to Octavia. It reflects a sense of connection and togetherness. It also reflects our commitment to invest and support communities to thrive. As a not-for-profit organisation we work to continue the legacy of our founder Octavia Hill through providing good homes and better lives and developing our services to meet current needs and for the common good.

Through the work of our projects and our Better Lives Community Strategy, we continue to increase the reach of our community work. This work is helping to combat loneliness amongst older people, support those seeking jobs and training or facing hardship, and provide good quality engaging services for people of all ages.

We supported more than 3,000 people through our strategy this year and we have an ambition to reach 5,000 by 2023. However, we are currently revising this target due to the continued impact of the COVID-19 pandemic on our community projects.

In 2019/20 we met our ambitions in a number of areas, including:

- Establishing one Volunteering team across our Foundation and Care
- Launching new activity programmes at our extra care schemes which have reached 980 people
- Enhancing our offer to young people by providing more activities and opportunities for skills development with our digital youth club and projects
- Working in partnership to increase employment and training opportunities
- Building on our partnerships to source and raise funds and gain support for our projects
- Further developing our offer at our community hub, The Reed, to reach residents of all ages
- Empowering small community groups to help others. Our Better Lives Fund distributed £42,581 to 10 local charities
- Commissioning New Philanthropic Capital (NPC) to research and evidence the impact of our outreach work

Engaging with our young people

In 2019/20 we engaged with 338 individual young people through a programme of activities, most held at our digital youth club based at our community hub, The Reed in North Kensington. This is an increase of nearly 100 compared with last year. It equates to an average of 39 young people per week and more than 730 hours of activity. The programme achieved the London Youth Bronze Quality Mark.

We also worked with 19 local and national partners including the V&A, Tate Modern, the NHS, Mind and west London based SPID Theatre, to provide more than 150 more hours of activities, ranging from professional standard training in digital media skills to engaging projects that encouraged young people to explore and support youth mental health.

Our most high profile initiative was The Birth of Cool, a multi-media project, researching and curating the youth fashion and culture boom that started in the Kings Road through the use of digital media. This inclusive Lottery-funded project has engaged with 109 young people of all abilities, providing skills and learning opportunities in filmmaking, photography, fashion history and design, and historical story telling. Outputs from the project included exhibited work and the creation of the 'Punk Road' film, which was nominated for three amateur film festival awards.

Employment and training

A total of 276 people were helped with finding employment and training support. A further 261 residents received debt and welfare support.

Provided

2,526

hours of befriending support

In partnership with local organisations we ran two new local jobs fairs which attracted over 450 people, 77 of them Octavia residents. Our relationship with Popup Business School (self-employment support) attracted over 500 attendees across four events, including our first employment and training event in Kensington and Chelsea. We helped 36 people get job ready through our free Connect2Skills course, providing face-to-face training in confidence and skills building.

A little help from our friends

Our established network of corporate and community volunteers continues to grow. During the year 1,019 people volunteered their time, 616 from corporate teams (a three-fold increase on last year) and 403 individuals (an increase from 367 in 2018/19). From our individual volunteers, 227 people helped to run our Octavia charity shops, 123 supported befriending, 22 helped us with our youth projects, and eight were involved with Care and Support. We greatly value the contribution of all our volunteers. Our Volunteer Awards in 2019 paid tribute to the work of those who generously donated their time with us.

On the high street

In March 2019, we opened a new charity shop on Golborne Road in our core area of operation in North Kensington. During the year we closed three other shops, taking the number shops we run to 18 at the end of March. Funds raised from our shops go towards our community projects helping local people of all ages and backgrounds, demonstrating the organisation's vision to support communities and promote sustainability.

Funding and support

Our initiatives and services consistently received funding from a range of partners who see value in what we do. This includes the Heritage Lottery Fund, the Arts Council of England and Westway Community Grants.

We are very grateful to the continued support of local organisations in helping to fund our services; in particular the Friends of Octavia, who this year helped to provide 222 people with various support including, education grants, activities for older people and access to food banks.

People and resources

Our people

Octavia fosters an inclusive and diverse workforce, where development and wellbeing is actively encouraged and our values are lived and breathed.

Our team of 327 employees and a further 111 contracted staff provide excellent customer care, improve performance and help us to achieve our mission of enabling people to thrive through providing high quality homes, services and opportunities for better lives. Supporting colleagues to achieve this is our respectful and responsive working culture.

We offer of a range of employment benefits, including flexible working and investment in learning and development. Our elected staff forum, which has representation from all levels across the organisation, ensures colleagues are consulted on policies and procedures that affect them.

> Values remain the biggest strength of the organisation
>
> Investors in People

All Octavia staff are paid more than the London Living Wage level of £10.75 per hour. The remuneration of Directors is agreed by the Corporate Services Committee and, for the Chief Executive, by the Board. Octavia's policy is to offer fees to Board members. These are periodically reviewed and externally benchmarked.

In 2019-20 staff sickness absence was an average of 6.23 days, which is below the sector average. Our staff turnover figure at 31 March 2020 was 18.83%, which is close to the sector's top quartile at 18%.

This year we retained our Investors in People (IIP) Silver accreditation following an assessment in early 2020. A key area of strength identified by the accreditation is how well our colleagues identify with our organisation's strong legacy and purpose.

"People are proud of the work of Octavia, the majority think it's a great place to work and makes a difference to London."

Investors in People

Staff recognition, support for wellbeing and a "significant" focus on continuous improvement were also praised in the assessment. We will be embracing the report's recommendations that we continue to enhance development opportunities, encourage more collaboration among colleagues and fully embed our values across all of our service delivery partners.

In November 2019, we achieved a London Healthy Workplace Award, an accreditation scheme led by the Mayor of London. Octavia has a diverse range of wellbeing tools on offer for our staff, from launching initiatives to combat work stress and promote employee self-reliance, to training more mental health first aiders.

The London Healthy Workplace Award verifiers were particularly impressed with Octavia's senior management involvement with health and wellbeing development across the organisation, as well as a "comprehensive approach to health and safety, including updates to training" and "good examples of reasonable adjustments provided".

Technology

We continued to improve our IT systems to support the needs of the Group. We undertook a number of projects designed to further improve services, make better use of our resources and upgrade data security through use of technology.

We also developed our IT systems to increase the capacity of our Contact team to handle telephone and email enquiries more efficiently and undertook a data handling project with our repairs provider, Mears, to improve the efficiency of the gas servicing process.

Because of COVID-19 we accelerated the introduction of remote working across the organisation and used technology to enable colleagues to collaborate more effectively. We are now looking to introduce new online service delivery channels, such as webchat, sooner than previously planned.

A number of digital projects to improve efficiency and resourcefulness were completed during the year, including the introduction of new e-forms, digitising payslips and e-invoicing. There has been further digitisation of core business processes since March, enabling even greater efficiency, flexibility and resilience.

In 2020/21 we will be embarking on an ambitious programme to upgrade software, improve data handling and remodel our core systems, to continue our drive for better, more efficient services.

Risks and uncertainties

In a climate of uncertainty around the impact of COVID-19 on our business and the wider economy, the organisation is facing a number of risks. We have been preparing for the possible impact of the UK's exit from the European Union, which still remains an issue. In addition, we are closely monitoring expected changes to fire safety legislation and building regulations leading from the Grenfell Tower fire.

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

Health and safety – COVID-19 has created a new set of challenges across the organisation, particularly in respect of the health and safety of our residents, staff and service users. We need to adapt to new ways of working across all our workplaces, including our care schemes, and ensure our corporate health and safety frameworks are fit for purpose. We have a dedicated Health and Safety team, together with a quarterly Health and Safety Committee, and we have recently brought in additional resource to ensure our workplaces are COVID-secure. We are also mindful of how the situation may influence the wellbeing of colleagues, so as we adapt to new ways of working we are ensuring our HR policies reflect this.

Building safety – Post-Grenfell there has been a focus on fire safety. The requirements of landlords continue to evolve as we meet new guidelines and prepare for the revised building safety legislation, so we anticipate the scope of our fire safety works may expand in future. We are aware of challenges for homeowners in re-selling their homes where fire safety certification may need to be evidenced and the role of landlords in this. We are also monitoring the wider implications for our future sales activity. Our compliance with all aspects of landlord health and safety is monitored by the Health and Safety Committee and the Estates Committee.

Economic environment – Brexit and COVID-19 have caused a range of uncertainties in the economic environment. In particular for Octavia, we are closely monitoring changes in the UK property market, and we have stress-tested our financial plans for both a slow-down in sales and a reduction in sales prices. We are also mindful of changes in the employment market, particularly in care and support and our retail operations, as well as possible impacts on inflation, as the UK economy seeks to recover from lockdown. With interest rates currently at an all-time low, Octavia is largely protected from future major interest rate increases as a large proportion of our loan portfolio is fixed rate debt.

Charity retail operations – The impact of COVID-19 presents a unique challenge for our charity retail business. We are working to meet the requirements of making our shops COVID-19 safe, but we are uncertain of the long term effect on the charity retail market. We continue to monitor the financial situation closely and we have received government funding support for the retail sector.

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

As well as mitigating risks we are continuing to exploit opportunities to build on our powerful legacy; to enable Londoners to thrive through quality homes and services that connect people and opportunity. This includes resourcefulness in adopting new technology and new ways of working, where it can improve our services and reach. We are also looking to exploit further opportunities for partnership working, to develop more homes and provide more community support.

Finance and governance

"We consider Octavia's enterprise risk profile to be very strong, which continues to support the rating. Octavia benefits from its focus on the highest value areas of central and west London, which exhibit strong economic fundamentals and high demand for affordable housing. Octavia continues to focus on its social mission, which is reflected in very low social to market rent and a high share of revenues coming from traditional activities."
(Standard & Poors rating review July 2020)

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

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

Following an increase in our development activity as we seek to make the best use of resources to meet our strategy to build more homes, we were regraded by the Regulator of Social Housing in November 2019. Our Viability rating moved from V1 (Compliant) to V2 (Compliant) and our Governance rating remains unchanged at G1. Further detail about this can be found on page 40.

Financial results

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

In 2019/20, operating surplus was only marginally less than the previous year despite the 1% rent reduction and a reduction in the number of new-build homes sold. The impact of these reductions has been offset by the £3.5m grant received in respect of cladding works with corresponding expenditure also recognised in operating surplus.

The 2019/20 surplus is improved from the previous year, as it includes £3.7m gain on investment properties following an independent valuation of our commercial portfolio as at 31 March 2020 by Jones Lang LaSalle (JLL). This is after three years of holding at 2017 values.

Figure 5 – Octavia Group financial performance

	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m	2015/16 £m
Turnover (excluding donations)	58.7	58.7	44.8	55.5	50.0
Cost of sales	(5.2)	(10.0)	(7.5)	(1.6)	(6.2)
Operating costs	(44.0)	(38.8)	(36.8)	(33.0)	(32.7)
Other items	3.0	2.8	12.9	1.6	4.2
Operating surplus	**12.5**	**12.7**	**24.1**	**11.8**	**15.3**
Net interest payable	(7.5)	(5.7)	(4.6)	(4.8)	(5.0)
Interest breakage costs	-	(0.5)	(8.0)	-	(2.3)
Gain on business combination	-	-	-	2.6	28.5
Revaluation of investments	3.7	-	-	2.5	-
Surplus for the year	**8.7**	**6.5**	**11.5**	**12.1**	**36.5**
Borrowings	222	211	190	168	164
Housing owned/managed (number of homes)	5,211	5,087	5,013	4,832	4,791

Figure 6 – Housing portfolio valuation

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Open market value with vacant possession	2,504	2,347	2,400	2,337	2,288
Market value subject to existing tenancies	1,269	1,200	1,127	1,095	999
Existing use value for social housing	581	541	501	466	461
Estimated annual market rent of General Needs social rented portfolio	90	91	95	85	89
Actual annual rent roll of General Needs social rented p ortfolio	25	24	25	25	24

Surpluses in 2015/16 and 2016/17 reflect the impact of the Octavia Foundation and Ducane Housing joining the Group, and the surplus in 2017/18 reflects a £10m donation received to provide six homes for families affected by the Grenfell fire.

Property portfolio

The Group's underlying financial strength arises from the quality of its high value portfolio of social housing, which has been built up over the last 150 years. This is reflected in JLL's independent valuation of our General Needs housing property portfolio at 31 March 2020. (see Figure 6 and note 14 of these financial statements)

This valuation indicates an average Vacant Possession value for General Needs properties of approximately £525,000 (2018/19: £502,000) and around £508,000 (2018/19: £485,000) across the whole portfolio, including shared ownership homes and supported housing.

The property portfolio requires significant levels of reinvestment each year for both maintenance purposes and to respond to the requirements of health and safety legislation. The current financial plan adopted by the Board in 2019 envisages spending £19.4m on such issues over the next four years. This includes a programme that will bring all homes up to a good energy efficiency standard by 2023.

In addition to the housing property portfolio, Octavia has commercial properties shown in the balance sheet at a valuation of £14.8m based on an Open Market Value in March 2020 by JLL. We use surplus generated from our commercial portfolio to support non-social housing activities across the Group, particularly our investment in communities.

Social value

It is central to Octavia's work that we continue to provide homes in high value areas in central London at rents that are affordable to people on lower than average incomes. We set our rents at levels that enable this to be achieved. As a result, there is a significant difference between the market rents that theoretically could be charged for our property portfolio and the rents charged. JLL estimate the market rental on our General Needs portfolio to be £90m per annum against the rents actually charged in the financial year of £25m. The difference of £65m represents the social value that the local community and Government receive from Octavia's properties. During the year average rents charged on social housing properties decreased from £123.31 per week to £122.51 per week. 2019/20 was the final year of the Government's 1% rent reduction regime. Our average rents continue to be below the Government formula for Social Rents.

> Octavia benefits from its focus on the highest value areas of central and west London, which exhibit strong economic fundamentals and high demand for affordable housing.
>
> Standard & Poors rating review July 2020

During this period we also added another 43 new homes for Affordable Rent to our portfolio. Under the Affordable Rent regime, rents can be charged at up to 80% of market rents but, given our concern to ensure that rented property remains affordable to those in low paid employment, we estimate that our average Affordable Rent represent less than 30% of market rent levels.

The Board aims to keep the rents at a level consistent with maintaining and developing our housing stock for General Needs properties. The level of rent that can be set is also constrained by government regulatory requirements, planning approvals and the terms of borrowing agreements and grant attached to the properties. Octavia has had the benefit of a total of £187m of grant from central government, which is invested in its current stock.

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

Value for Money

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

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

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

In assessing our VfM performance in 2019/20, we have made use of both Sector Scorecard and bespoke metrics. We use benchmarking as an indicator of our performance against a handpicked group of peers and we review trends in our performance. For all peer organisations, metric scores are sourced from their 2019 financial statements.

Octavia's unique tenure composition and focus on tenants means our VfM metrics may differ from other housing associations. We own and manage more than 5,200 homes in central and west London, with a significant level of legacy stock, supported housing and housing for older people, as well as a high degree of community investment. Consequently, our

Figure 7 – Value for money comparison

Strategic objective / metric	Octavia 2019/20 £m	Octavia 2018/19 £m	Peers 2018/19 £m
Provide excellent services			
Metric 5 headline social housing cost per unit	£7,314	£6,593	£7,443
Metric 6a operation margin (social housing lettings)	24.7%	22.0%	26.1%
Metric 6b operating margin (overall)	16.2%	17.0%	23.5%
Build more homes, maintain quality homes			
Metric 1 reinvestment	6.7%	6.6%	6.7%
Metric 2 new supply delivered (social housing homes)	2.2%	2.6%	1.3%
Increase our reach and impact			
Metric 8 communities spend % of total	2.2%	2.7%	1.5%
Be financially strong			
Metric 4a EBITDA MRI interest cover (RSH definition)	128.7%	126.5%	168.7%
Metric 4b EBITDA MRI interest cover (Octavia definition)	163.2%	164.6%	-
Metric 7 return on capital employed	2.2%	2.3%	2.8%
Build a sustainable legacy			
Metric 3a Gearing (RSH definition)	37.3%	38.1%	36.6%
Metric 3b Gearing (MV-ST definition)	18%	20%	-

peer group has been selected from organisations operating wholly or mainly in central London and the wider boroughs, with a significant level of stock made up of care and support and sheltered accommodation or housing for older people.

Octavia's social housing cost per unit (SH-CPU) has increased this year due to fire safety costs at a scheme where cladding replacement works are in progress. While the costs of cladding works are covered by grant, the costs of waking watches are not covered. The median SH-CPU for our peer group was £5,942, suggesting that there are some outliers in the group and Octavia's result is above average. This also reflects the higher repair costs we incur on our heritage properties in the high-value areas we operate in, and while our overall operating margin has slightly decreased this year, our social housing operating margin has improved. In terms of community investment, our spend is amongst the top of our peer group. This, together with our commitment to care and support, impacts our overall margins compared with our peer group, while demonstrating our commitment to increasing our reach and impact.

Our investment in homes is a slight improvement compared with last year and is in line with our peers. This demonstrates our commitment to building more homes and maintaining quality homes. Compared with last year, our delivery of new homes has declined. This is mainly due to two large schemes in our programme being aborted. Though these homes have been replaced with new schemes in the programme, the delivery dates are in subsequent years.

Our interest cover under the RSH definition has improved from last year but it remains lower than

Figure 8 – Value for money targets

Strategic objective / metric	Actual 2019/20 £m	Target 2019/20 £m	Target 2020/21 £m	Target 2021/22 £m
Provide excellent services				
Metric 5 headline social housing cost per unit	£7,314	£6,240	£6,260	£6,170
Metric 6a operation margin (social housing lettings)	24.7%	23.0%	23.6%	25.2%
Metric 6b operating margin (overall)	16.2%	16.7%	20.7%	22.7%
Build more homes, maintain quality homes				
Metric 1 reinvestment	6.7%	10.7%	10.9%	8.7%
Metric 2 new supply delivered (social housing)	2.2%	2.8%	3.1%	3.7%
Increase our reach and impact				
Metric 8 communities spend % of total	2.2%	2.8%	2.6%	2.6%
Be financially strong				
Metric 4a EBITDA MRI interest cover (RSH)	128.7%	118.5%	132.8%	135.0%
Metric 4b EBITDA MRI interest cover (Octavia)	163.2%	163%	152%	145%
Metric 7 return on capital employed	2.2%	2.3%	2.2%	2.5%
Build a sustainable legacy				
Metric 3 Gearing (RSH definition)	37.3%	37.3%	41.3%	43.1%
Metric 3a Gearing (Octavia definition)	18%	20%	23%	25%

Figure 9 – Interest rate fixing by maturity

Rate fixing period	Target	At 31 March 2020	At 31 March 2019
Fixed for more than 10 years	At least 40%	82%	79%
Fixed for more than 1 year but less than 10 years	Between 10% and 30%	10%	7%
Variable/ less than one year	Less than 25%	8%	14%

our peer group. This is due to a combination of our lower operating margins and higher interest costs, where we have taken a long-term view of our loan portfolio. Our return on capital employed is in line with last year, and our gearing (our level of debt compared to our assets) remains one of the lowest amongst our peer group.

Figure 8 shows the targets in our 2019 financial plan up to 2022 and our progress against the 2019/20 targets. The Board is considering the next iteration of our financial plan, particularly in light of the possible financial impacts of COVID-19, so these targets are under review.

Our reinvestment fell below target in 2019/20 due mainly to the aborted schemes mentioned above and this has also impacted our new supply target. Our social housing cost per unit is higher than planned and overall margin is lower than our planned target because of the fire safety costs noted above. While our community investment is marginally below target, this still represents almost £1m invested through the Octavia Foundation. Despite these differences, return on capital employed and gearing are in line with target.

Capital structure and treasury

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

In the year to 31 March 2019, we undertook a major restructuring of our borrowing portfolio, putting in place additional resources for future projects and to reduce interest rate risk. These changes included £100m of bond financing during that year and £50m of bond financing to be drawn in March 2020 (£30m) and March 2021 (£20m). During the year gross borrowings increased from £211m to £224m as new loans were drawn to finance capital investment. In addition, £112m of fully secured borrowing facilities were in place at the year end, which were available to draw immediately, taking the total Group facilities to £336m.

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

The Board regularly monitors compliance with loan covenants. At 31 March 2020 the position in respect of the two main sets of covenants was as follows:

- Interest cover 163.2% (lowest permitted level 110%)
- Gearing 18% (highest permitted level 35% MV-ST basis)

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

Due to our refinancing activities, our proportion of fixed rate debt has increased, thereby reducing our exposure to rises in interest rates.

At the end of the year 62% of our properties had been used to secure current facilities. The unutilised security will enable us to increase borrowings to fund additional development in order to reach our target of 200 new homes a year.

Effects of material estimates and judgements on performance

Impairment – despite this year being the last year of the Government's requirement for 1% reductions in Social Rents for four years, following our impairment review, no provisions for impairment were made against our housing property carrying amounts. The impairment review also took account of the impact of COVID-19 on property values. We considered the possible impact on our housing stock work in progress, and assuming that property prices may drop by up to 10% in 2020, the reduction would not result in an impairment against the carrying amounts of housing properties or shared ownership homes.

Valuation of freestanding financial derivatives – the implementation of FRS 102 has also required valuations of freestanding financial derivatives to be included on the balance sheet. We have used the valuations provided by the independent organisation, Chatham Financial (formerly known as JCRA). As our one freestanding financial derivative is treated as a 99% effective hedge against interest rate exposures in loan agreements, almost all changes in value are recognised through reserves rather than through income and expenditure.

Investment properties – our commercial property portfolio is valued on 31 March every three years at fair value by an independent valuer. In the intervening years a judgement of value is made by the Directors. The last external valuation was carried out in March 2017 and this valued the portfolio at £11.1m. From 2017-20 the Directors assessed the valuation was still appropriate and no changes were reported. At March 31 2020, Jones Long LaSalle (JLL) undertook a new valuation and valued the properties at £14.8m. The £3.7m upwards movement in the values indicated is reported in the Statement of Comprehensive Income. The outbreak of COVID-19 has impacted global financial markets and market activity is being impacted in many sectors. As at the valuation date, less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. The valuation of our investment properties was therefore reported on the basis of "material valuation uncertainty"' and consequently a higher degree of caution should be attached to the valuation. Further details can be found at note 16 of these financial statements.

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

Legal structure

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

a) Octavia Living Limited, which develops homes for outright sale on housing developments led by Octavia. It also markets and manages property sales for Octavia and provides related commercial advice

b) Octavia Development Services Limited, which develops social housing for Octavia on a design and build basis and was dormant in 2019/20

c) Octavia Foundation, a registered charity which provides community support in central and west London, often to Octavia residents

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

Ducane Housing Association, which joined the Group on 31 March 2016 and which completed a full transfer of engagements to Octavia Housing on 29 March 2019, was deregistered as a provider of social housing on 21 November 2019.

Corporate governance

Octavia is governed by a Board which currently comprises 11 non-executives (two of whom are residents) plus the Chief Executive. These are listed on page 3 in this report. Each non-executive Board member holds one fully paid share. Octavia has adopted the current National Housing Federation Code of Governance. 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 and Directors of Homes, Care and Community, Asset Management, Development and Finance, together with the Director of the Octavia Foundation.

The Board is supported by five group committees, all of which include Board members as well as some other independent members. These are:

- Estates Committee – property related issues
- Services Committee – housing and care services matters together with oversight of the communities programme, including fundraising activities undertaken via the Octavia Foundation
- Corporate Services Committee – IT, HR, Corporate Governance, Communications and other internal operational matters
- Finance Committee – finance and treasury matters
- Audit and Risk Committee – external reporting, audit, Internal Control and risk management

Group Board members and executives sit on each of our subsidiary company 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 a number of Group Board changes during the year:

Board Member	Appointment Date	Retirement Date	Role
Sheila Fitzsimons	22 July 2019		Non-Executive Board member Group Board & Corporate Services Committee
Sandra Skeete	2 September 2019		Executive Board member (CEO) Group Board, Corporate Services Committee, Estates Committee, Finance Committee & Services Committee.
Hugh Thornbery	31 October 2019		Non-Executive Board member Group Board, Services Committee & Octavia Foundation Trustee.
John Holman	31 October 2019 16 December 2019		Non-Executive Board member Group Board & Estates Committee Director of Octavia Living Limited
Terry Gallagher	1 January 2020		Non-Executive Board member Group Board, Chair of Audit & Risk Committee, member Finance Committee.
Paul Williams	1 January 2020		Non-Executive Board member Group Board, Chair Designate Finance Committee, member Audit & Risk Committee
Grahame Hindes		31 July 2019	Executive Board member (CEO)
Gwendoline Godfrey		31 October 2019	Non-Executive Board member and Vice-Chair. Continued as a trustee of the Octavia Foundation
Annie Lathaen		31 October 2019	Non-Executive Board member
Angus Taylor		31 October 2019	Non-Executive Board member
Malcolm Holloway		31 December 2019	Non-Executive Board member

Assessment of the effectiveness of internal controls

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

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

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

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

- The adoption of a business plan and 30-year Long Term Financial Plan model, which is regularly updated, reviewed by the Board, and stress tested
- A comprehensive budgeting process, the production and review of monthly management accounts and key performance indicators for all areas of operational activity, including quarterly external reporting

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

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

- The review and approval of the Governance Handbook and Financial Regulations of the organisation and a clear set of delegated authorities detailing responsibilities for expenditure and authorisation of payments
- The incorporation of key risks into a Risk Map and the consideration of this and significant risks on individual projects by the Board
- A programme of internal audit work which is linked to the Risk Map and is reported regularly to the Audit and Risk Committee and annually to the Board. The Audit and Risk Committee also regularly monitors the implementation of external and internal audit recommendations
- A programme of Service Improvement Reviews to seek continuous improvement
- An operational work plan that seeks to ensure that our IT systems are reliable and efficient
- Processes and systems for appraising development projects via the Group Estates Committee, Projects Panel, Executive Team and the Group Board

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

Compliance with the RSH Governance and Financial Viability Standard

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

Our governance rating continues to be G1, meeting the governance requirements.

The Board is not aware of any reason that might affect these ratings.

The Board has considered whether the activities of the Group in the year to 31 March 2020 and to the date these accounts were signed complied in all material respects with the RSH's Governance and Viability Standard and has concluded that they did.

Regulatory compliance

As required by regulations issued by the RSH, a review has been conducted on the level of compliance by Octavia since 1 April 2019 with relevant laws and regulations.

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

Going concern

As set out in the financial statements, an assessment has been carried out by the Board into how far Octavia can be considered to remain a going concern. The Board has noted that the projected cash flow from operations and sales, taken together with undrawn and secured loan facilities, significantly exceed the projected cash requirements for operating expenditure and capital investment for at least the next eighteen months. The Board has also noted that business planning projections indicate that Octavia should be operating comfortably within its loan covenant restrictions for that period. Accordingly, it continues to consider that it is appropriate to adopt the going concern basis in preparing this annual report and financial statements.

External review and audit

The work of our internal and external auditors is an important part of the control environment. There is a programme of internal audit visits throughout the year and the risk of fraud is always considered when deciding on the scope of work for each visit.

During the year, Mazars carried out their planned programme of internal audit reviews and BDO LLP carried out their work as external auditors.

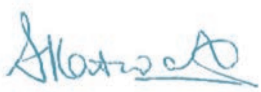
The Board confirms that for the year ended 31 March 2020 and up to the date of the approval of these financial statements, there have been no regulatory concerns which have led any regulatory authority to intervene in the affairs of Octavia, nor are there significant problems in relation to failures of internal controls that required disclosure in the financial statements.

Auditors

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

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

Sandeep Katwala
Chairman



Statement approved by the Board on 15 September 2020

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

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

Co-operative and Community Benefit Society and social housing legislation require the Board members to prepare financial statements for each financial year for the Group and Association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the Group and Association for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with: the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the SORP: Accounting by Registered Social Housing Providers 2018.

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

Independent auditor's report to the members of Octavia Housing

Opinion

We have audited the financial statements of Octavia Housing ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the Consolidated and Association statement of comprehensive income, the Consolidated and Association Balance Sheets, the Consolidated and Association statement of changes in Reserves, the Consolidated and Association statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's surplus for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019

Basis for opinion

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

Conclusions relating to going concern

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

- The Board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue

Other information

The Board is responsible for the other information. Other information comprises the information included in the Report of the Board and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Chair's statement, the Report of the Board (including the Strategic Report), the Statement from the Chief Executive and the statement of the Board's responsibilities. In doing so, we consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- The information given in the Report of the Board for the financial year for which the financial statements are prepared, is not consistent with the financial statements; or
- Adequate accounting records have not been kept by the parent Association; or
- A satisfactory system of control has not been maintained over transactions; or
- The parent Association financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit

Responsibilities of the board

As explained more fully in the Board members responsibilities statement set out on page 42, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP, Statutory Auditor on 15 September 2020

BDO LLP is a limited liability partnership registered in England & Wales (with registered number OC305127)

Accounts

Financial statementsfor the year ended 31 March 2020

Octavia Housing consolidated and association statements of comprehensive income

For the year ended 31 March 2020

	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Turnover	4	**58,669**	58,705	**56,915**	49,183
Cost of sales	4	**(5,154)**	(9,948)	**(4,571)**	(4,537)
Operating costs	4	**(44,003)**	(38,803)	**(42,533)**	(35,640)
Surplus on property disposals	11	**2,954**	2,800	**2,954**	2,800
Operating surplus	4,7	**12,466**	12,754	**12,765**	11,806
Movement in the fair value of investment properties	16	**3,673**	-	**3,673**	-
Movement in fair value of investments	17	**7**	163	**-**	-
Interest receivable and similar income	12	**143**	109	**215**	417
Interest and financing costs	13	**(7,639)**	(6,498)	**(7,639)**	(6,069)
Surplus for the year		**8,650**	6,528	**9,014**	6,154
Movement in fair value of hedged financial instrument	25	**(1,497)**	(264)	**(1,497)**	(264)
Initial recognition of multi-employer defined benefit scheme	26	**-**	(875)	**-**	(875)
Actuarial gains / (losses) on defined benefit pension plans	26	**1,741**	(641)	**1,741**	(641)
Total comprehensive income for year		**8,894**	4,748	**9,258**	4,374

All amounts are derived from continuing operations.

The notes on pages 52 to 94 form part of these financial statements.

Octavia Housing consolidated and association statement of financial position

At 31 March 2020

	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Fixed assets					
Tangible fixed assets – housing properties	14	**526,977**	502,992	**516,260**	491,303
Tangible fixed assets - other	15	**11,662**	11,881	**11,662**	11,881
Investment properties	16	**14,835**	11,050	**14,835**	11,050
Investments - other	17	**1,698**	2,113	**10**	10
		555,172	528,036	**542,767**	514,244
Current assets					
Properties for sale	18	**9,053**	12,177	**8,766**	7,705
Receivables – receivable within one year	19	**5,623**	5,614	**5,737**	5,677
Receivables – receivable after one year	19	**-**	524	**-**	4,600
Investments		**106**	103	**106**	103
Cash and cash equivalents		**25,597**	19,085	**25,552**	19,014
		40,379	37,503	**40,161**	37,099
Payables: amounts falling due within one year	20	**(28,832)**	(18,488)	**(29,401)**	(17,660)
Net current assets		**11,547**	19,015	**10,760**	19,439
Total assets less current liabilities		**566,719**	547,051	**553,527**	533,683
Payables: amounts falling due after more than one year	21	**(412,160)**	(399,430)	**(417,335)**	(404,793)
Net assets excluding pension liability		**154,559**	147,621	**136,192**	128,890
Pension - defined benefit liability	26	**(1,204)**	(3,160)	**(1,204)**	(3,160)
Net assets		**153,355**	144,461	**134,988**	125,730
Capital and reserves					
Called up share capital	27	**-**	-	**-**	-
Restricted reserve		**9,850**	9,930	**9,850**	9,930
Income and expenditure reserve		**149,182**	138,711	**130,815**	119,980
Cash flow hedge reserve		**(5,677)**	(4,180)	**(5,677)**	(4,180)
		153,355	144,461	**134,988**	125,730

The financial statements were approved by the Board of Directors and authorised for issue on 15 September 2020.

S Katwala Chairman **S Porter** Treasurer **C Hughes** Secretary

The notes on pages 52 to 94 form part of these financial statements.

Octavia Housing consolidated statement of changes in reserves

For the year ended 31 March 2020

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 2018	(3,916)	10,016	133,613	139,713
Surplus for the year	-	-	6,528	6,528
Movement in fair value of hedged financial instrument	(264)	-	-	(264)
Transfer between restricted and unrestricted reserves	-	(86)	86	-
Initial recognition of multi-employer defined benefit scheme	-	-	(875)	(875)
Actuarial losses on defined benefit pension plans	-	-	(641)	(641)
Balance at 31 March 2019	(4,180)	9,930	138,711	144,461
Surplus/ (deficit) for the year	-	-	8,650	8,650
Transfer between restricted and unrestricted reserves	-	(80)	80	-
Movement in fair value of hedged financial instrument	(1,497)	-	-	(1,497)
Actuarial gains/(losses) on defined benefit pension plans	-	-	1,741	1,741
Balance at 31 March 2020	**(5,677)**	**9,850**	**149,182**	**153,355**

Octavia Housing association statement of changes in reserves

For the year ended 31 March 2020

	Cash flow hedge reserve £'000	Restricted reserves £'000	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 2018	(3,916)	10,016	96,161	102,261
Surplus for the year	-	-	6,154	6,154
Gain on business combination (note 32)	-	-	19,095	19,095
Movement in fair value of hedged financial instrument	(264)	-	-	(264)
Transfer between restricted and unrestricted reserves	-	(86)	86	-
Initial recognition of multi-employer defined benefit scheme	-	-	(875)	(875)
Actuarial losses on defined benefit pension plans	-	-	(641)	(641)
Balance at 31 March 2019	(4,180)	9,930	119,980	125,730
Surplus/ (deficit) for the year	-	-	9,014	9,014
Transfer between restricted and unrestricted reserves	-	(80)	80	-
Movement in fair value of hedged financial instrument	(1,497)	-	-	(1,497)
Actuarial gains/(losses) on defined benefit pension plans	-	-	1,741	1,741
Balance at 31 March 2020	**(5,677)**	**9,850**	**130,815**	**134,988**

The notes on pages 52 to 94 form part of these financial statements.

Octavia Housing consolidated statement of cash flows

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Surplus for the financial year		**8,649**	6,528
Adjustments for			
Accelerated depreciation on components		**436**	640
Depreciation of fixed assets - housing properties	14	**6,855**	6,515
Depreciation of fixed assets - other	15	**972**	769
Impairment	14	**478**	-
Amortised grant	5	**(1,764)**	(2,582)
Interest payable and finance costs	13	**7,639**	6,498
Interest receivable	12	**(150)**	(272)
Movement in value of investments		**(7)**	(150)
Movement in the fair value of investment properties		**(3,673)**	-
Movement in trade and other debtors		**515**	(1,324)
Movement in stocks		**30**	8,599
Movement in pension creditor		**(206)**	(133)
Movement in trade & other creditors		**(1,109)**	(422)
Sales of fixed assets - cost element included in operating surplus		**2,993**	2,065
Net cash generated from operating activities		**21,658**	26,731
Cash flows from investing activities			
Purchase of fixed assets – housing properties	14	**(30,755)**	(41,010)
Purchase of fixed assets - other	14	**(865)**	(1,198)
Receipt of grant		**13,000**	1,883
Interest received	12	**150**	272
Proceeds from sale of investments		**410**	-
Net cash outflow from investing activities		**(18,060)**	(40,053)
Cash flows from financing activities			
Interest paid	13	**(7,991)**	(6,301)
Finance costs		**(45)**	(610)
New loans - bank	24	**-**	39,000
New loans - other	24	**30,000**	100,000
Repayment of loans - bank	24	**(19,050)**	(118,060)
Repayment of loans - other	24	**-**	(160)
Net cash generated by financing activities		**2,914**	13,869
Net increase in cash and cash equivalents		**6,512**	547
Cash and cash equivalents at beginning of year		**19,085**	18,538
Cash and cash equivalents at end of year		**25,597**	19,085

The notes on pages 52 to 94 form part of these financial statements.

1 Legal status

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

2 Accounting policies

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

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

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

The following principal accounting policies have been applied:

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

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 business planning projections indicate that Octavia should be operating comfortably within its loan covenant restrictions for that period. Accordingly, the Board continues to consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

Externals include steps and handrail, paths etc.

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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 (other than Social Housing Grant) 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 "Payables - due after more than one year". The remainder is disclosed under "Payables - due within one year".

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

Contingent liabilities
A contingent liability is recognised for

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

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

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

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

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

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

- Octavia has made certain commitments to replace the cladding at one residential block and expects to receive all, or substantially all, of the cost from either the contractor or the Government scheme for reimbursement. There is one further residential block where the requirement to replace cladding, and therefore the costs of meeting this obligation and the potential claims against others in relation to this, remains uncertain. See note 28 Contingent liabilities.
- 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 categorisation of financial instruments as 'basic' or 'other'

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14 and 15)

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

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

- Investment properties (see note 16)

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

- Rental and other trade receivables (see note 19)

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

- The assessment of fair value of interest rate swap agreements (see note 25).

- Defined benefit pension scheme (see note 26)

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

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

Group Year ended 31 March 2020	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	**40,296**	**-**	**(32,079)**	**-**	**8,217**
Other social housing activities					
First tranche low cost home ownership sales	**7,360**	**(4,294)**	**-**	**-**	**3,066**
Supporting people	**98**	**-**	**(261)**	**-**	**(163)**
Student accommodation	**2,022**	**-**	**(457)**	**-**	**1,565**
Impairment	**-**	**-**	**(478)**	**-**	**(478)**
Other	**3,748**	**-**	**(6,525)**	**2,954**	**177**
	53,524	**(4,294)**	**(39,803)**	**2,954**	**12,381**
Activities other than social housing					
Market rents	**45**	**-**	**(45)**	**-**	**-**
Rents on investment properties	**812**	**-**	**(374)**	**-**	**438**
Outright sales	**940**	**(860)**	**-**	**-**	**80**
Other	**3,348**	**-**	**(3,781)**	**-**	**(433)**
	5,145	**(860)**	**(4,200)**	**-**	**85**
	58,669	**(5,154)**	**(44,003)**	**2,954**	**12,466**

Group Year ended 31 March 2019	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	39,650	-	(30,916)	-	8,743
Other social housing activities					
First tranche low cost home ownership sales	4,194	(3,006)	-	-	1,188
Supporting people	98	-	(313)	-	(215)
Student accommodation	1,735	-	(1,187)	-	548
Other	52	-	(1,511)	2,800	1,341
	45,738	(3,006)	(33,927)	2,800	11,605
Activities other than social housing					
Market rents	3	-	(3)	-	-
Rents on investment properties	750	-	(317)	-	433
Outright sales	8,552	(6,942)	-	-	1,610
Other	3,662	-	(4,556)	-	(894)
	12,967	(6,942)	(4,876)	-	1,149
	58,705	(9,948)	(38,803)	2,800	12,754

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

Association Year ended 31 March 2020	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	40,254	-	(32,061)	-	8,193
Other social housing activities					
First tranche low cost home ownership sales	6,581	(4,571)	-	-	2,010
Supporting people	98	-	(261)	-	(163)
Student accommodation	2,022	-	(457)	-	1,565
Impairment	-	-	(478)	-	(478)
Other	3,710	-	(5,634)	2,954	1,030
	52,665	(4,571)	(38,891)	2,954	12,157
Activities other than social housing					
Market rents	45	-	(45)	-	-
Rents on investment properties	857	-	(419)	-	438
Other	3,348	-	(3,177)	-	171
	4,250	-	(3,642)	-	608
	56,915	(4,571)	(42,533)	2,954	12,765

Association Year ended 31 March 2019	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property disposal £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 5)	38,440	-	(29,933)	-	8,507
Other social housing activities					
First tranche low cost home ownership sales	5,725	(4,537)	-	-	1,188
Supporting people	98	-	(313)	-	(215)
Other	52	-	(1,441)	2,800	1,411
	44,315	(4,537)	(31,687)	2,800	10,891
Activities other than social housing					
Market rents	3	-	(3)	-	-
Rents on investment properties	750	-	(317)	-	433
Other	4,115	-	(3,633)	-	482
	4,868	-	(3,953)	-	915
	49,183	(4,537)	(35,640)	2,800	11,806

5 Income and expenditure from social housing lettings

Group	General needs £'000	Supported housing £'000	Keyworker £'000	Low cost home ownership £'000	Total 2020 £'000	Total 2019 £'000
Income						
Rents net of identifiable service charges	24,447	1,639	1,759	2,438	**30,283**	29,456
Service charge income	2,561	1,256	59	1,107	**4,983**	4,243
Amortised government grants	1,507	210	-	140	**1,857**	2,526
Net rental income*	28,515	3,105	1,818	3,685	**37,123**	36,225
Government grants taken to income	-	27	-	-	**27**	105
Donation from third parties	-	-	-	-	**-**	161
Fee income for care and support	-	3,085	-	-	**3,085**	3,168
Other income	-	53	8	-	**61**	-
Turnover from social housing lettings	28,515	6,270	1,826	3,685	**40,296**	39,659
Expenditure						
Management	5,388	882	50	882	**7,202**	6,506
Service charge costs	2,913	4,026	6	1,321	**8,266**	4,350
Routine maintenance	5,882	120	222	50	**6,274**	6,217
Planned maintenance	2,785	38	-	-	**2,823**	2,044
Major repairs expenditure	374	-	-	-	**374**	258
Bad debts	125	-	-	-	**125**	176
Depreciation of housing properties:						
- annual charge	5,849	241	489	-	**6,579**	6,515
- accelerated on disposal of components	436	-	-	-	**436**	640
Other costs	-	-	-	-	-	4,210
Operating expenditure on social housing lettings	23,752	5,307	767	2,253	**32,079**	30,916
Operating surplus on social housing lettings	4,763	963	1,059	1,432	**8,217**	8,743
* Net rental income is stated net of void losses of	268	70	16	-	**354**	385

5 Income and expenditure from social housing lettings (continued)

Association	General needs £'000	Supported housing £'000	Keyworker £'000	Low cost home ownership £'000	Total 2020 £'000	Total 2019 £'000
Income						
Rents net of identifiable service charges	24,405	1,639	1,759	2,438	**30,241**	29,456
Service charge income	2,561	1,256	59	1,107	**4,983**	4,243
Amortised government grants	1,507	210	-	140	**1,857**	2,526
Net rental income*	28,473	3,105	1,818	3,685	**37,081**	36,225
Government grants taken to income	-	27	-	-	**27**	105
Donation from third parties	-	-	-	-	**-**	161
Fee income for care and support	-	3,085	-	-	**3,085**	3,168
Other Income	-	53	8	-	**61**	-
Turnover from social housing lettings	28,473	6,270	1,826	3,685	**40,254**	39,659
Expenditure						
Management	5,383	882	50	882	**7,197**	6,506
Service charge costs	2,913	4,026	6	1,321	**8,266**	4,350
Routine maintenance	5,882	120	222	50	**6,274**	6,217
Planned maintenance	2,785	38	-	-	**2,823**	2,044
Major repairs expenditure	374	-	-	-	**374**	258
Bad debts	125	-	-	-	**125**	176
Depreciation of housing properties:						
- annual charge	5,836	241	489	-	**6,566**	6,515
- accelerated on disposal of components	436	-	-	-	**436**	640
Other costs	-	-	-	-	-	4,210
Operating expenditure on social housing lettings	23,734	5,307	767	2,253	**32,061**	30,916
Operating surplus on social housing lettings	4,739	963	1,059	1,432	**8,193**	8,743
* Net rental income is stated net of void losses of	268	70	16	-	**354**	385

6 Units of housing stock

	Group 2020 Number	Group 2019 Number	Association 2020 Number	Association 2019 Number
General needs housing:				
- Social	**3,311**	3,316	**3,305**	3,310
- Affordable	**454**	407	**454**	407
Low cost home ownership	**487**	460	**487**	460
Supported housing	**280**	279	**280**	279
Keyworker accommodation	**135**	98	**135**	98
Student accommodation	**125**	125	**125**	125
Housing for older people	**139**	139	**139**	139
Total social housing units	**4,931**	4,824	**4,925**	4,818
Leaseholder management	**280**	263	**280**	263
Total owned	**5,211**	5,087	**5,205**	5,081
Accommodation managed for others	**-**	-	**6**	6
Accommodation managed by others	**(85)**	(90)	**(85)**	(90)
Total managed accommodation	**5,126**	4,997	**5,126**	4,997
Units under construction	**230**	123	**230**	123

Units of housing stock – movement in stock numbers

	Group 2019 Number	Additions 2020 Number	Disposals 2020 Number	Tenure Changes 2020 Number	Other 2020 Number	Group 2020 Number
General needs housing:						
- Social	3,316	**-**	**(2)**	**(3)**	**-**	**3,311**
- Affordable	407	**46**	**-**	**1**	**-**	**454**
Low cost home ownership	460	**34**	**-**	**(11)**	**4**	**487**
Supported housing	279	**-**	**-**	**-**	**1**	**280**
Keyworker accommodation	98	**35**	**-**	**2**	**-**	**135**
Student accommodation	125	**-**	**-**	**-**	**-**	**125**
Housing for older people	139	**-**	**-**	**-**	**-**	**139**
Total social housing units	4,824	**115**	**(2)**	**(11)**	**5**	**4,931**
Leaseholder management	263	**6**	**-**	**11**	**-**	**280**
Total owned	5,087	**121**	**(2)**	**-**	**5**	**5,211**
Accommodation managed by others	(90)	**-**	**-**	**-**	**(5)**	**(85)**
Total managed accommodation	4,997	**121**	**(2)**	**-**	**-**	**5,126**
Units under construction	123					**230**

7 Operating surplus

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
This is arrived at after charging				
Depreciation of housing properties:				
- annual charge and impairments in the year (note 14)	**7,333**	6,515	**7,320**	5,956
- accelerated depreciation on replaced components	**436**	640	**436**	569
Total depreciation of housing properties	**7,769**	7,155	**7,756**	6,525
Depreciation of other tangible fixed assets (note 15)	**972**	769	**972**	877
Operating lease charges – land & building	**845**	853	**845**	853
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	**61**	63	**52**	50

8 Employees

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**12,506**	11,713	**11,995**	10,645
Social security costs	**1,207**	1,129	**1,154**	1,024
Cost of SHPS defined benefit scheme (see note 26)	**401**	198	**898**	198
Cost of defined contribution scheme	**820**	656	**780**	587
	14,934	13,696	**14,827**	12,454

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 2020 Number	Group 2019 Number	Association 2020 Number	Association 2019 Number
Administration	**48**	44	**48**	42
Charity shops	**49**	52	**49**	52
Marketing and sales	**3**	4	**-**	-
Development	**10**	10	**10**	10
Housing, support and care	**246**	230	**246**	219
Octavia Foundation	**11**	12	**-**	-
	367	352	**353**	323

9 Directors' and key management personnel remuneration

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

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Executive directors' emoluments	**773**	938	**703**	727
Amounts paid to non-executive directors	**65**	59	**65**	59
Contributions to Directors' pension schemes	**57**	59	**50**	47
	895	1,056	**818**	833

The total amount payable to the Chief Executives (outgoing and incoming) in respect of emoluments was £206,098, made up of £86,410 incoming CEO and £119,688 to the outgoing CEO (2019 - £143,201). No pension contributions were made during 2019/20 (2019 £Nil). The former CEO, who left Octavia in July 2019, was also the highest paid director.

Three other directors were members of the SHPS defined contribution pension scheme as at 31 March 2020 (2019 - 3), and three of the directors accrued benefits under the Group's defined benefit pension scheme during the year (2019 - 3).

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

	Group 2020 Number	Group 2019 Number	Association 2020 Number	Association 2019 Number
£60,000 - £69,999	**9**	7	**9**	6
£70,000 - £79,999	**12**	14	**11**	13
£80,000 - £89,999	**6**	2	**6**	2
£100,000 - £109,999	**1**	2	**1**	2
£110,000 - £119,999	**1**	1	**1**	1
£120,000 - £129,999	**3**	2	**3**	2
£140,000 - £149,999	**-**	2	**-**	1

10 Board member fees, board and committee membership

Non-executive Board members	Remun-eration £	Group Board	Finance Committee	Corporate Services Committee	Audit and risk Committee	Services Committee	Estate Committee	Start/leave date
Sandeep Katwala	12,000	✓	✓	✓	*✓	✓	✓	
Gwendoline Godfrey	2,250	✓		✓				Retired 23/09/2019
Simon Porter	6,500	✓	✓		✓			
Malcolm Holloway	4,875	✓	✓		✓			Retired 31/12/2019
Annie Lathaen	2,625	✓				✓		Retired 31/10/2019
Stephen Smith	4,500	✓				✓		
Debbie Sorkin	6,500	✓				✓		
Visakha Sri Chandrasekera	5,333	✓					✓	
Rosalind Stevens	6,500	✓		✓				
Angus Taylor	3,792	✓					✓	Retired 31/10/2019
John Holman	2,625	✓					✓	Joined 01/06/2019
Hugh Thornbery	1,875	✓				✓		Joined 23/09/2019
Paul Williams	1,125	✓	✓		✓			Joined 01/01/2020
Terrence Gallagher	1,625	✓	✓		✓			Joined 01/01/2020
Sheila Fitzsimons	£2,625	✓		✓				Joined 22/07/2019

* Non-Voting

Total expenses paid to Board members in the year amounted to £447 (2019: £36). There were no amounts paid over £50 in 2018/19. The expenses paid over £50 to Board members in 2019/20 were as follows:

	Group 2020 £	Group 2019 £
John Holman	95	-
Stephen Smith	58	-
Debbie Sorkin	105	-
Visakha Sri Chandrasekera	53	-
Hugh Thornbery	112	-
Total	423	-

11 Surplus on property disposal

Group	Shared ownership 2020 £'000	Other housing properties 2020 £'000	Total 2020 £'000	Total 2019 £'000
Housing Properties				
Disposal proceeds	3,407	2,540	5,947	4,865
Cost of disposals	(1,959)	(887)	(2,846)	(1,973)
Selling costs	(16)	(61)	(77)	(57)
Grant recycled (note 23)	(45)	(25)	(70)	(35)
Surplus on disposal of fixed assets	1,387	1,567	2,954	2,800

Association	Shared ownership 2020 £'000	Other housing properties 2020 £'000	Total 2020 £'000	Total 2019 £'000
Housing Properties				
Disposal proceeds	3,407	2,540	5,947	4,865
Cost of disposals	(1,959)	(887)	(2,846)	(1,973)
Selling costs	(16)	(61)	(77)	(57)
Grant recycled (note 23)	(45)	(25)	(70)	(35)
Surplus on disposal of fixed assets	1,387	1,567	2,954	2,800

12 Interest receivable and income from investments

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Interest receivable from group undertakings	-	-	128	370
Interest receivable and similar income from third parties	143	109	87	47
	143	109	215	417

13 Interest payable and similar charges

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Interest payable on bank loans and overdrafts	**3,658**	4,567	**3,658**	4,229
Interest payable on other loans	**4,499**	1,622	**4,499**	1,622
Amortisation of loan issue costs - bank loans & overdrafts	**147**	485	**147**	394
Amortisation of loan issue costs - other loans	**17**	7	**17**	7
Cost of breaking fixed interest rates	**-**	540	**-**	540
Recycled capital grant fund	**9**	9	**9**	9
Net interest on defined benefit liability	**69**	65	**69**	65
Interest capitalised on construction of housing properties	**(760)**	(797)	**(760)**	(797)
	7,639	6,498	**7,639**	6,069
Other financing costs through other comprehensive income				
Loss on fair value of hedged derivative instruments	**1,497**	264	**1,497**	264
	9,136	6,762	**9,136**	6,333

14 Tangible fixed assets – housing properties

Group	Housing properties held for letting - completed £'000	Housing properties held for letting - under construction £'000	Shared ownership - completed £'000	Shared ownership - under construction £'000	Total £'000
Cost					
At 1 April 2019	468,327	16,619	72,227	8,902	566,075
Additions					
- construction costs	-	14,818	-	12,688	27,506
- replaced components	2,601	-	-	-	2,601
- fire safety works	210	-	-	-	210
- energy improvements	1,198	-	-	-	1,198
Transfers from inventories	2,824	-	270	-	3,094
Completed schemes	17,187	(17,173)	7,810	(7,824)	-
Change of tenure	266	-	(266)	-	-
Disposals:					
- properties	(951)	-	(1,974)	-	(2,925)
- replaced components	(1,149)	-	-	-	(1,149)
At 31 March 2020	490,513	14,264	78,067	13,766	596,610
Depreciation					
At 1 April 2019	63,045	-	-	-	63,045
Charge for the year	6,855	-	-	-	6,855
Eliminated on disposals:					
- replaced components	(713)	-	-	-	(713)
- properties	(64)	-	-	-	(64)
At 31 March 2020	69,123	-	-	-	69,123
Impairment					
At 1 April 2019	-	-	38	-	38
Released in the year	-	-	(6)	-	(6)
Recognised in the year	-	478	-	-	478
At 31 March 2020	-	478	32	-	510
Net book value at 31 March 2020	**421,390**	**13,786**	**78,035**	**13,766**	**526,977**
Net book value at 31 March 2019	405,297	16,618	72,175	8,902	502,992

14 Tangible fixed assets – housing properties (continued)

Association	Housing properties held for letting - completed £'000	Housing properties held for letting - under construction £'000	Shared ownership - completed £'000	Shared ownership - under construction £'000	Total £'000
Cost					
At 1 April 2019	455,445	16,618	72,074	8,902	553,039
Additions:					
- construction costs	-	14,818	-	12,688	27,506
- replaced components	2,598	-	-	-	2,598
- fire safety works	210	-	-	-	210
- energy improvements	1,198	-	-	-	1,198
Transfers from Inventories	3,777	-	270	-	4,047
Completed schemes	17,172	(17,172)	7,824	(7,824)	-
Change of tenure	266	-	(266)	-	-
Disposals:					
- properties	(951)	-	(1,965)	-	(2,916)
- replaced components	(1,149)	-	-	-	(1,149)
At 31 March 2020	478,566	14,264	77,937	13,766	584,533
Depreciation					
At 1 April 2019	61,330	-	-	-	61,330
Charge for the year	6,842	-	-	-	6,842
Eliminated on disposals:					
- replaced components	(713)	-	-	-	(713)
- properties	(64)	-	-	-	(64)
At 31 March 2020	67,395	-	-	-	67,395
Impairment					
At 1 April 2019	368	-	38	-	406
Released in the year	-	-	(6)	-	(6)
Recognised in the year	-	478	-	-	478
At 31 March 2020	**368**	**478**	**32**	**-**	**878**
Net book value at 31 March 2020	**410,803**	**13,786**	**77,905**	**13,766**	**516,260**
Net book value at 31 March 2019	393,747	16,618	72,036	8,902	491,303

14 Tangible fixed assets – housing properties (continued)

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**362,012**	372,360	**351,295**	360,671
Long leasehold	**160,413**	129,079	**160,413**	129,079
Short leasehold	**4,552**	1,553	**4,552**	1,553
	526,977	502,992	**516,260**	491,303
Interest capitalisation				
Interest capitalisation in the year	**760**	797	**760**	797
Rate used for capitalisation	**3.80%**	3.00%	**3.80%**	3.00%
Major repairs to properties and replaced components				
Expenditure to existing properties capitalised	**5,062**	6,397	**5,062**	6,286
Expenditure to income and expenditure account	**374**	258	**374**	244
	5,436	6,655	**5,436**	6,530
Total Social Housing Grant received or receivable to date is as follows:				
Capital Grants:				
- deferred capital grant (note 22)	**186,695**	186,523	**191,964**	191,886
- amortised to the Statement of Comprehensive Income	**32,403**	30,572	**32,403**	30,572
Recycled capital grant fund (note 23)	**20**	1,389	**20**	1,389
Capital grants recognised as a result of transfer of engagements	**5,269**	7,299	**-**	-
	224,387	225,783	**224,387**	223,847

Impairment

During the current year, the Group and Association have recognised £nil as an impairment loss. (2019: £nil) in respect of general needs housing stock. An impairment of £0.4m (2019: £nil) has been recognised in respect of a land banked scheme. The intention for this site is to develop a viable scheme and a suitable tenure mix to achieve this is under review.

Properties charged as security

As at 31 March 2020 2,972 (2019: 2,767) properties with a book value of £198.3m (2019:£159.9m) were charged as security for loans made to Octavia Housing.

14 Tangible fixed assets – housing properties (continued)

Valuation

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

	2019 £'m	2019 £'m
Open Market Value with Vacant Possession	**2,504**	2,347
Market Value subject to existing Tenancies	**1,269**	1,200
Existing Use Value for Social Housing	**581**	541
Estimated Annual Market Rent of General Needs social rented portfolio	**89**	91
Actual annual rent roll of General Needs social rented portfolio	**25**	24

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

15 Other tangible fixed assets

Group	Freehold buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 April 2019	11,215	94	6,410	17,719
Additions	45	-	820	865
Transfer to investment properties	(266)	-	-	(266)
At 31 March 2020	10,994	94	7,230	18,318
Depreciation				
At 1 April 2019	(1,519)	(94)	(4,225)	(5,838)
Charge for the year	(148)	-	(824)	(972)
Transfer to investment properties	154	-	-	154
At 31 March 2020	(1,513)	(94)	(5,049)	(6,656)
Net book value				
At 31 March 2020	**9,481**	**-**	**2,181**	**11,662**
At 31 March 2019	9,696	-	2,185	11,881

15 Other tangible fixed assets (continued)

Association	Freehold buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 April 2019	11,216	94	6,410	17,720
Additions	45	-	820	865
Transfer to investment properties	(266)	-	-	(266)
At 31 March 2020	10,995	94	7,230	18,319
Depreciation				
At 1 April 2019	(1,520)	(94)	(4,225)	(5,839)
Charge for the year	(148)	-	(824)	(972)
Transfer to investment properties	154	-	-	154
At 31 March 2020	(1,514)	(94)	(5,049)	(6,657)
Net book value				
At 31 March 2020	**9,481**	**-**	**2,181**	**11,662**
At 31 March 2019	9,696	-	2,185	11,881

16 Investment properties

Group and Association	2020 £'000	2019 £'000
Valuation		
At 1 April	**11,050**	11,050
Additions	**112**	-
Revaluation	**3,673**	-
At 31 March	**14,835**	11,050

The Group's investment properties comprise shops, garages and other property ancillary to its social housing portfolio. They are valued annually on 31 March at fair value, either by an independent valuer or by the Directors. This year's valuation was carried out by the independent valuer JLL at 31 March 2020 - this indicated a value of £14.8m.

The Group's investment properties were valued on 31 March 2020 at fair value, determined by an independent, professionally qualified RICs valuer. 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 estimation uncertainty are given in note 2.

16 Investment properties (continued)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. At the valuation date less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. The valuation was therefore reported on the basis of "material valuation uncertainty"' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. If the properties were to be valued at 30 June 2020, it is likely that the market value would be less than that at the year end.

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

Group and Association	2020 £'000	2019 £'000
Historic cost	**6,219**	5,953
Accumulated depreciation	**(2,291)**	(2,022)
	3,928	3,931

17 Investments

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

Association	Country of incorporation or registration	Proportion of voting rights/ ordinary share capital held	Nature of entity	2020 and 2019 Investment carrying value £'000
Octavia Hill Limited	England	100%	Dormant Limited Company	-
Octavia Development Services Limited	England	100%	Trading Limited Company	-
Octavia Foundation	England	100%	Incorporated Registered Charity	-
Octavia Living Limited	England	100%	Trading Limited Company	10
				10

Additionally the Octavia Foundation had an investment in a fund managed by CCLA which was valued at £1.68m at 31 March 2020 (2019: £2.1m).

During the year Octavia Foundation disposed of £0.4m of investments (2019: nil).

18 Properties for sale

Group	First tranche shared ownership properties 2020 £'000	Outright market sales 2020 £'000	Total 2020 £'000	Total 2019 £'000
Housing work in progress	**4,766**	**283**	**5,049**	3,750
Completed housing properties for sale	**4,004**	**-**	**4,004**	8,427
	8,770	**283**	**9,053**	12,177

Association	First tranche shared ownership properties 2020 £'000	Outright market sales 2020 £'000	Total 2020 £'000	Total 2019 £'000
Housing work in progress	**4,762**	**-**	**4,762**	3,417
Completed housing properties for sale	**4,004**	**-**	**4,004**	4,288
	8,766	**-**	**8,766**	7,705

Properties developed for sale include capitalised interest of £0.76m (2019: £0.8m).

19 Receivables

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Due within one year				
Rent and service charge arrears	1,718	1,288	1,718	1,288
Less: provision for doubtful debts	**(654)**	(653)	**(654)**	(653)
	1,064	635	**1,064**	635
Amounts owed by group undertakings	**-**	-	**162**	210
Amounts held by lenders as security for borrowings	**524**	-	**524**	-
Other debtors	**3,349**	3,678	**3,301**	3,531
Prepayments and accrued income	**686**	1,301	**686**	1,301
	5,623	5,614	**5,737**	5,677
Due after one year				
Amounts owed by group undertakings	**-**	-	**-**	4,076
Amounts held by lenders as security for borrowings	**-**	524	**-**	524
	-	524	**-**	4,600
	5,623	6,138	**5,737**	10,277

19 Receivables (continued)

Amounts owed by group undertakings includes £nil (2019: £4.1m) in relation to a loan to Octavia Living Ltd from Octavia Housing; the loan, which was due to mature in September 2020. The loan was given at arm's length at an interest rate of 4.65% with a non-utilisation fee of 1.65% and was fully repaid in 2019-20. The board approved an extension to assisted loans between groups for £1m due to expire Dec 2022.

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

20 Payables: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Capital creditors	**4,321**	4,296	**4,321**	4,296
Loans and borrowings (note 24)	**996**	339	**996**	339
Accruals and deferred income (including holiday pay)	**1,871**	2,368	**1,842**	2,072
Deferred capital grant (note 22)	**2,209**	2,582	**2,303**	2,582
Other creditors	**1,548**	1,509	**1,498**	1,002
Trade creditors	**459**	2,666	**459**	2,646
Rent and service charges received in advance	**1,707**	1,477	**1,707**	1,477
Accrued interest	**1,800**	1,392	**1,800**	1,392
Leasehold Repairs funds	**1,108**	1,030	**1,108**	1,030
Taxation and social security	**432**	420	**427**	415
Recycled capital grant fund (Note 23)	**-**	391	**-**	391
Social Housing Grant	**12,373**	-	**12,373**	-
Amount owed to group undertaking	**-**	-	**559**	-
Pension schemes	**8**	18	**8**	18
	28,832	18,488	**29,401**	17,660

21 Payables: amounts falling due after more than one year

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Loans and borrowings (note 24)	**221,129**	210,224	**221,129**	210,224
Interest rate swap – cash flow hedge	**5,717**	4,220	**5,717**	4,220
Deferred capital grant (note 22)	**184,486**	183,941	**189,661**	189,304
Recycled capital grant fund (note 23)	**20**	998	**20**	998
Pension schemes	**30**	47	**30**	47
Other payables	**778**	-	**778**	-
	412,160	399,430	**417,335**	404,793

22 Deferred capital grant

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
At 1 April	**186,523**	187,569	**191,886**	187,569
Grants received during the year	**558**	1,883	**557**	1,883
Ducane transfer of engagements	**-**	-	**-**	5,363
Grants transferred from/(to) RCGF	**1,378**	(382)	**1,378**	(382)
Released to income during the year	**(1,857)**	(2,547)	**(1,857)**	(2,547)
Other adjustments	**94**	-	**-**	-
At 31 March	**186,695**	186,523	**191,964**	191,886

Deferred capital grant of £2.2m (2019 - £2.6m) is due within one year, the amount due after one year is £184.5m (2019 - £189.3m).

23 Recycled capital grant

Group and Association **Funds pertaining to activities within areas covered by**	GLA 2020 £'000	GLA 2019 £'000
At 1 April	**1,389**	998
Inputs to fund		
Grant recycled from deferred capital grants	**684**	347
Grant recycled from Statement of Comprehensive Income	**70**	35
Interest accrued	**9**	9
Recycling of grant		
New build	**(2,132)**	-
At 31 March	**20**	1,389
Amounts 3 years or older where repayment may be required	**-**	-

Withdrawals from the recycled capital grant fund were used for new build development.

24 Loans and borrowing

Maturity of debt:

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

Group and Association	Capital markets 2019 £'000	Bank loans 2019 £'000	Total 2019 £'000
In one year or less, or on demand	10	329	339
In more than one year but not more than two years	8	988	996
In more than two years but not more than five years	29	37,871	37,900
More than five years - by instalment	573	53,348	53,921
More than five years - by bullet	117,407	-	117,407
	118,027	92,536	210,563

24 Loans and borrowing (continued)

Net debt reconciliation:

Group	At 1 April 2019 £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2020 £'000
Cash at bank and in hand	19,085	6,514	-	**25,599**
Bank loans	210,563	11,562	-	**222,125**
Interest rate swap	4,220	-	1,497	**5,717**
Net debt	233,868	18,076	1,497	**253,441**

Association	At 1 April 2019 £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2020 £'000
Cash at bank and in hand	19,014	6,538		**25,552**
Bank loans	210,563	11,562	-	**222,125**
Interest rate swap	4,220	-	1,497	**5,717**
Net debt	233,797	18,100	1,497	**253,394**

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

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

At 31 March 2020 the Association had undrawn, secured and available loan facilities of £112.1m (2019 Group £75.2m).

25 Financial instruments

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

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Financial assets				
Financial investments measured at fair value	**1,688**	2,103	**-**	-
Total financial assets	**1,688**	2,103	**-**	-
Financial liabilities				
Derivative financial instruments designated as hedges of variable interest rate risk	**5,717**	4,180	**5,717**	4,180
Total financial liabilities	**5,717**	4,180	**5,717**	4,180

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

25 Financial instruments (continued)

The derivative is accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a negative fair value of £5.7m (2019: £4.2m) 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 charge of £1.5m (2019 was a credit: £0.3m) with almost all the entire charge being recognised in Other Comprehensive Income as the swap is a 99% effective hedge, as follows:

Association and Group	2020 £'000	2019 £'000
Negative Fair value at 1 April	(4,180)	(3,916)
Change in fair value charged to statement of Comprehensive Income	-	-
Change in fair value charged to cash flow hedge reserve (note 13)	(1,497)	(264)
Negative Fair value at 31 March	(5,677)	(4,180)

26 Pensions

Several pension schemes are operated by the Group:

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

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

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

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

For financial years ending on or 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.

26 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.

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

	31 March 2020 £'000	1 April 2019 £'000
Present value of defined benefit obligation	11,630	13,078
Fair value of plan assets	(10,426)	(9,918)
Defined benefit liability	1,204	3,160

Reconciliation of movements in the defined benefit obligation

	31 March 2020 £'000	31 March 2019 £'000
Defined benefit obligation at 1 April	13,078	12,062
Current service cost	101	125
Expenses	9	8
Interest expense	298	303
Contributions by plan participants	55	54
Actuarial (gains) / losses due to scheme experience	(83)	173
Actuarial (gains) / losses due to changes in demographic assumptions	(118)	37
Actuarial (gains) / losses due to changes in financial assumptions	(1,364)	734
Benefits paid and expenses	(346)	(418)
Defined benefit obligation at end of period	11,630	13,078

26 Pensions (continued)

Reconciliation of movements in the fair value of assets

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets at 1 April 2018	**9,918**	**9,402**
Interest income	**229**	238
Experience on plan assets (excluding amounts included in interest income) - gain	**176**	303
Contributions by the employer	**394**	339
Contributions by plan participants	**55**	54
Benefits paid and expenses	**(346)**	(418)
Fair value of plan assets at end of period	**10,426**	9,918

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £1.74m (2019: £0.5m).

Defined benefit costs recognised in the Statement of Comprehensive Income

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

	31 March 2020 £'000	31 March 2019 £'000
Current service cost	**101**	125
Expenses	**9**	8
Net interest expense	**69**	65
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**179**	198
Experience on plan assets (excluding amounts included in net interest cost) - gain	**176**	303
Experience gains and losses arising on the plan liabilities - gain / (loss)	**83**	(173)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain / (loss)	**118**	(37)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain / (loss)	**1,364**	(734)
Total amount recognised in other comprehensive income - gain / (loss)	**1,741**	(641)

26 Pensions (continued)

Scheme assets

The schemes assets consist of the following:

	31 March 2020 £'000	31 March 2019 £'000
Global equity	**1,525**	1,669
Absolute return	**544**	858
Distressed opportunities	**201**	180
Credit relative value	**286**	182
Alternative risk premia	**729**	572
Fund of hedge funds	**6**	45
Emerging markets debt	**316**	342
Risk sharing	**352**	300
Insurance-linked securities	**320**	284
Property	**230**	223
Infrastructure	**776**	520
Private debt	**210**	133
Opportunistic liquid credit	**252**	-
Corporate bond fund	**594**	463
liquid credit	**4**	-
Long lease property	**180**	146
Secured income	**396**	355
Liability driven investment	**3,460**	3,627
Net current assets	**45**	19
Total assets	**10,426**	9,918

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 2020 % per annum	1 April 2019 % per annum
Discount rate	**2.39**	2.29
Inflation (RPI)	**2.65**	3.30
Inflation (CPI)	**1.65**	2.30
Salary growth	**2.65**	3.30
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

26 Pensions (continued)

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

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

The Growth Plan - defined benefit schemes

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

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

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

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

Deficit contributions

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

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

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.
Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

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

26 Pensions (continued)

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

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

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

	31 March 2020 £'000	31 March 2019 £'000
Provision at start of period	**47**	57
Unwinding of the discount factor (interest expense)	**1**	1
Deficit contribution paid	**(8)**	(7)
Remeasurements - impact of any change in assumptions	**(1)**	-
Remeasurements - amendments to the contribution schedule	**-**	(4)
Provision at end of period	**39**	47

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 LGPS (Benefits, Membership and Contribution) Regulations 2007, the LGPS (Administration) Regulations 2008 and the LGPS (Transitional Provisions) Regulations 2008.

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

The triennial statutory revaluation of the fund was carried out as at 31 March 2016 to assess the contribution rate of individual employers within the fund. The employers' contribution rate is the average cost of future service benefits of pensionable pay with adjustments to take account of certain circumstances that are peculiar to individual employers or group of employers.

During the accounting period the Association paid contributions at the rate of up to 20.5% with a minimum employee contribution of 5.5%.

27 Share capital

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

Shares	At 1 April 2019 £	Issued	Removed	At 31 March 2020 £
48 Class "A" £1	45	5	(2)	**48**
7 Class "C" £5	35	-	-	**35**
As at 31 March	80	5	(2)	**83**

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

28 Contingent liabilities

Recladding / Fire safety

In June 2017 it was identified that one block of flats for which the Association was the developer and is currently the freeholder had Aluminium Composite Material (ACM) Cladding. Following discussions around the safety of this type of material a decision has been taken to replace the cladding. Works commenced in July 2019 and the majority of the cost will be recovered either from the contractor or by grant agreed with the Greater London Authority up to the value of £12.3m. As the cost of the works will be materially covered by this grant, no additional provision has been made.

The Association has identified one other block with potential cladding issues, this block is not clad with ACM but with another material. We await further confirmation of the scale of any necessary works at this site and as a result the cost of any works that may be necessary cannot be reliably estimated at this stage. The Association is expecting to recover all, or substantially all, of the cost of any works deemed necessary from either the contractor or through the Government scheme to provide reimbursement. In view of the uncertainties involved, no provision has been made in respect of these costs.

Other

The Group receives grant from Homes England and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. Grant of £39.7m (2019: £37.9m) for the Group and £39.7m (2019: £30.6m) for the Association received in respect of housing properties held at 31 March 2020 has been credited to reserves in accordance with the requirements of SORP 2014. The Group has a future obligation to recycle such grant if there is a disposal of the properties that it funds.

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

29 Operating leases

The Group and Association had minimum lease payments under non-cancellable operating leases as set out below: (still waiting for some information)

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Amounts payable as a lessee				
Not later than 1 year	**698**	727	**698**	727
Later than 1 year and not later than 5 years	**1,620**	1,636	**1,620**	1,636
Later than 5 years	**605**	605	**605**	605
Total	**2,923**	2,968	**2,923**	2,968

Amounts receivable as a lessor

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Not later than 1 year	**510**	513	**510**	513
Later than 1 year and not later than 5 years	**1,685**	1,685	**1,685**	1,685
Later than 5 years	**2,596**	2,906	**2,596**	2,906
Total	**4,608**	5,104	**4,608**	5,104

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

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

The terms of the tenancy agreements generally allow tenants to give one month's notice, the annualised rent roll is £25m at 31 March 2020 (2019: £24.1m).

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 2020 amounted to £152.9m (2019: £144.8m) and the annual rental being charged at that date was £2.3m (2019: £2.2m).

30 Capital commitments

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Commitments contracted but not provided for:				
Construction	**39,351**	27,064	**39,351**	27,064
Commitments approved by the Board but not contracted for:				
Construction	**35,859**	97,395	**35,859**	97,395
Maintenance	**5,116**	15,991	**5,116**	15,991
	80,326	140,450	**80,326**	140,450

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

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Social housing grant	**10,363**	2,437	**10,363**	2,437
Borrowings from existing secured facilities	**19,016**	13,902	**19,016**	13,902
Sales of properties	**9,972**	10,725	**9,972**	10,725
	39,351	27,064	**39,351**	27,064

Octavia has entered into a contract to replace the cladding at Elizabeth House, with the value of £12.8m. The costs are being written off to the statement of comprehensive income as they are incurred. This work is being funded by Greater London Authority remediation grant of £12.3m.

31 Related party transactions

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

Transactions with non-regulated entities

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

Payable to Association by subsidiaries:	2020 £'000	2019 £'000
Octavia Living Limited		
Intra-group management fees	**30**	30
Interest	**128**	370
Total	**158**	400

Payable to Association by subsidiaries:	2020 £'000	2019 £'000
Octavia Living Limited		
Payments for acquisition of housing properties	**4,044**	1,531
Sales commissions and programme management income	**281**	199
Total	**4,325**	1,730

Intra-group management fee and Gift Aid

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

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

31 Related party transactions (continued)

Octavia Housing made a donation of £nil (2019: £420,000) to the Octavia Foundation, a charitable entity which works to assist tenants of Octavia Housing and the wider community and which operates from Octavia Housing's offices in West London. Octavia Housing also donates services (including Human Resources, IT and finance support) to the value of £36,000 in 2019/20 (2019: £40,000).

During 2019/20, Octavia Housing received gift aid donations from subsidiaries totalling £604,000 (2019: £976,000). Octavia Living made a gift aid donation of £604,000 (2019: £975,000); Octavia Development Services Limited donated £nil (2019: £1,000).

Intra-group loans

Entity granting loan	Entity receiving loan	At 1 April 2019 £'000	Movement £'000	At 31 March 2020 £'000
Octavia Housing	Octavia Living Limited	4,076	(4,076)	-

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

Balances outstanding from/(to) the subsidiaries

	2020 £'000	2019 £'000
Octavia Living Limited – amounts for acquisition of land and buildings	**(558)**	4,076
Octavia Foundation	**162**	185

There were two Board members who were tenants of Octavia Housing during the year - neither of them had any arrears at 31 March 2020 (2019: £nil). Details of their remuneration are given in note 10 above. Neither of them enjoy any other special arrangements.

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