Financial Statements 2021-22

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About Optivo

We're one of the largest housing providers in the UK with over 43,000 homes in London, the South East and the Midlands, giving 90,000 people somewhere affordable to call their own. We know the importance of living in a safe and secure environment and how this enables people to flourish. We're building new homes to help solve the housing crisis, working with residents, local authorities and partners to create safe and sustainable homes and communities. We're helping our residents to live better lives with training and careers advice and supporting them on financial and digital inclusion so they can develop their potential.

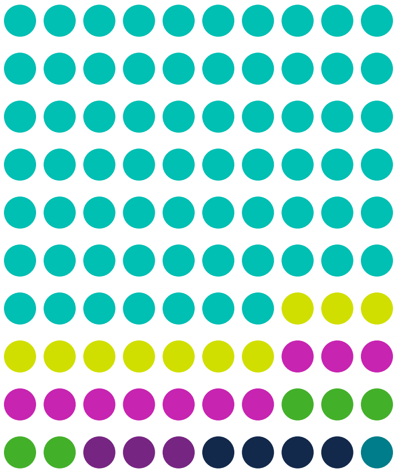
Our founders were passionate about helping families with a housing need. As Optivo, we're continuing that strong commitment to social purpose, putting residents at the heart of everything we do. At every level of the business our residents work alongside us as one team, to co-design and scrutinise our work so we can deliver brilliant services and improve value for money.

The pandemic and now the cost of living squeeze are having a massive impact on many people's lives and our social purpose is more important than ever. Our social impact statement for 2020-2025 underpins our corporate objective of creating jobs and training.

Employment activities run by Optivo offer a huge range of benefits including increasing job prospects, and improved health and wellbeing. We're continuing to create support programmes that match residents' skills and talents to job opportunities. During 2021/22 1,379 people were supported into jobs or training qualifications, and we supported 1,309 young residents with their personal development.

Our own charity Fresh Visions supports children, young people and adults facing extreme poverty, domestic abuse, lack of education and social exclusion. Over the last 19 years the charity has helped transform the lives of hundreds of young people and our staff is proud to support such a worthwhile cause.

Homes in management



General Needs	67%
Shared Ownership	10%
Supported, Care & HOPs	10%
Leasehold	5%
Key workers	3%
Non Social Housing	4%
Temporary & Intermediate	1%

Our markets, external environment and future prospects

With the highest inflation figures in 40 years, the housing crisis remains a critical national issue. We work in many communities affected by an urgent need for affordable housing. One of our primary objectives is to maximise the delivery of new affordable homes and these form most of our development programme over the next few years.

We're building new homes in London, the South East and the Midlands. We're moving away from section 106 (social housing allocation of new developments) as a source of sites and towards land led opportunities, seeking a pipeline of medium term (three-five years) and longer term (over five years) sites that will each deliver between 50-300 homes. As well as larger sites we deliver independently, we're also seeking opportunities linked to planning, Joint Ventures and Option Agreements.

88% of our planned programme for the next five years is for affordable housing with just 12% for sale. We pursue grant funding for schemes where possible. We continue to work with residents, stakeholders and Government to respond positively to the new challenges and the housing crisis. Our 2020-25 strategy will help us to maintain resident loyalty, ensure staff are productive and engaged, and drive greater efficiency.

Highlights 2021/22

For the year to 31 March 2022 (compared with 31 March 2021)

Financials

Turnover
£340m (£332m)

Operating surplus
£97m (£104m)

Net surplus
£108m (£90m)

New sales receipts
£45m (£46m)

Social Housing cost per unit
£4,663 (£4,378)

Operating margin
***20.4%** (23.6%)

Moody's Credit rating
A3 stable (A3 stable)

Total assets
£3.7bn (£3.5bn)

Net debt
£1.6bn (£1.4bn)

Operational

Overall satisfaction with service
88.8% (88.7%)

Satisfaction with quality of home
91.7% (92.5%)

Repairs satisfaction
97.1% (96.8%)

Neighbourhood satisfaction
91.0% (92.3%)

Current arrears
4.1% (4.1%)

Void (empty homes) rent loss
0.95% (1.1%)

EPC band C and above > 69%
72.5% (70.8%)

Gas safety
99.9% (99.9%)

Regulator rating
G1 / V1 (G1 / V1)

* Operating margin is adjusted to exclude surplus on fixed asset disposals (£27,320k) but includes surplus on first tranche shared ownership (£4,894k) and open market sales (£397k).

Development & Investment

New home starts
722 (1,002)

New homes into management
66 (50)

New homes developed including joint ventures and open market sales
621 (603)

Homes under construction
3,087 (2,812)

Homes in management
43,007 (42,599)

New homes spend
£228m (£190m)

Capital commitments
£0.7bn (£0.5bn)

Capitalised investment in existing homes
£19m (£20m)

People into jobs and training
1,379 (1,246)

Chair and Chief Executive statements

We started 2021/22 expecting it to be no less challenging than the previous year. That's proven to be the case, but the Optivo business has continued to maintain its resilience through the hard work and dedication of my fellow Board and Committee members and our colleagues. I am very pleased with our strong operational and financial results. Agile working is now embedded in the business as we continue to focus on investing in core social housing activities.

Resident engagement continues to be a really important part of Optivo. In December we appointed a new Resident Strategy Group Chair, Billy Brown. In February we had the very sad news that Rosie Ley, Chair of Optivo's Resident Scrutiny Panel passed away. Rosie made a huge contribution to Optivo, not only through resident engagement work but she had also served for nine years as a Board member of AmicusHorizon. She was a tireless advocate of resident governance and engagement. We were also very shocked at the sudden death of Steve Douglas, former Vice Chair of Optivo. He was a passionate advocate of resident engagement and governance and played a huge part in our journey to becoming one of the best housing associations for customer services.

Looking forward to the next year I know it is going to be extremely challenging for our business and for our residents. Inflation is expected to hit a 40 year high in 2022. We will continue to invest resources through our Financial Inclusion team to support residents through an extremely difficult time. The operating environment also directly impacts Optivo. We're mitigating, wherever possible, inflationary pressures on our business.

I'm excited to be Chair designate under proposals agreed as we progress discussions with Southern Housing Group about a potential merger. The proposed partnership would create a new 77,000 home landlord. By coming together, Optivo and Southern Housing Group can build a strong and resilient organisation focused on delivering excellent resident services and being a great employer. This is a different type of merger, focused on impact rather than expansion. Subject to due diligence and successful negotiations we hope to complete the process of coming together by December 2022.

I very much look forward to the coming year, working with my fellow Board and Committee members, residents and colleagues to make a real and lasting difference to people's lives and to provide much needed new homes.

Sir Peter Dixon
3 August 2022

2021-22 was a challenging year, however we've seen performance in our independent living and student accommodation schemes recover having been particularly badly affected in the previous year when the pandemic first struck. Arrears performance has remained strong finishing the year at 4.1%. We started the year with a significant backlog of repairs, but we mobilised additional resources and have been able to reduce the backlog, despite ongoing disruption in the building sector which we and many other businesses have faced. We've also been able to maintain high levels of resident satisfaction. Satisfaction with repairs stands at 97.1% and satisfaction with overall service was 88.8%.

Our development programme however faced delays throughout the year resulting in us being below target for both new starts and completions. We experienced unprecedented materials and labour cost inflation as well as some contractor insolvency. We started 722 new homes and completed 621 new homes.

We've continued to lever social benefit from many of our contracts. We teamed up with Brighton & Hove City Council and Henry Construction at our Home X development in the centre of Brighton. The scheme will deliver 369 new homes and in addition we've established a skills and employment partnership plan to help kickstart careers. The partnership has, so far, 11 apprentices who have been working on the construction of this scheme.

The Mayor of London has chosen Optivo, working in partnership with Countryside, to deliver 873 new homes in Barnet, 60% of which will be affordable. This exciting development, which will also include community and retail facilities, brings together Optivo's social purpose and long-term stewardship of community and place with Countryside's skills in placemaking and delivery.

During the year we completed a landmark deal with Sage Housing Partnerships. The partnership is the first of its kind to involve grant funded new homes. Sage are buying 420 new homes from our pipeline and we will manage the homes for them. The receipts generated will be invested back in to building more affordable housing. I am delighted this innovative partnership brings significant additional funding into the social housing sector at a time when housing associations are facing major financial pressures.

Sustainability is becoming an ever more important consideration for businesses with growth in Environmental, Social and Governance reporting requirements. Optivo colleagues and residents came together on 5 April 2022 to co-create plans to achieve Net Zero. We'll continue to engage with our residents and other key stakeholders to formulate and deliver the roadmap. We ended the year with 72.5% of our homes achieving EPC Band C rating or better, just marginally ahead of target.

Optivo achieved 'SHIFT Gold' for the fourth consecutive year. This is in recognition of our work to reduce carbon emissions across the business and acknowledges the support we've given residents in saving on their energy bills. Our work with Switchee to provide energy efficiency support to customers was also recognised when we were awarded 'Housing Association of the Year' at the London Energy Efficiency Awards.

Our Digital Infrastructure project is also progressing well, a key objective of this strategy is ensuring no one is left behind by not having digital connectivity. This has been particularly important over the last two years. Optivo is one of the early adopters of the Government's "Project Gigabit". So far, we've delivered the following outcomes:

- Connected c.10,500 homes
- Free internet connections to two community centres
- Provided c.700 free internet connections for some of our most deprived residents
- Invested c.£14,000 towards digital skills training for residents
- Invested c.£9,000 towards mobile devices and Construction Skills certification scheme training for residents.

Our People Team secured an important accreditation in support of our strategic goal of being an inclusive and diverse organisation. We were awarded a 'silver' rating in the Inclusive Employers Standard (IES) which is an evidence-based workplace accreditation.

This year there has been significant debate about how essential fire safety work will be funded. We're pleased to now have clarity from Government with leaseholders also being given the clarity and protection they need. Following this, we took the step to announce we're not recharging any fire remediation works to our leaseholders regardless of the height of the block they may live in. We will continue to pursue third parties for costs where possible.

Paul Hackett CBE
3 August 2022

02

Strategic Report

Management presents its report incorporating the strategic report and audited consolidated financial statements for Optivo and its subsidiary undertakings for the year ended 31 March 2022. These consolidated accounts are also available on our website www.optivo.org.uk.

Our Business Model

Who we are

We're one of the largest housing providers in the UK with over 43,000 homes across London, the South East and the Midlands. Our vision is Building Homes, Making Places, Enhancing Lives. Our core business, providing homes for people who need them, is founded on maintaining a strong social purpose. 98% of the group's business (by income) is undertaken by Optivo, the charitable parent organisation. New build activities are carried out through Lamborn Estates (open market sales), Optivo Development Services and Ink Development, a limited company jointly owned in which Optivo holds one share. A full list of the group subsidiaries and their activities are set out in note 35 to these financial statements.

Optivo has invested equity in its subsidiary companies. £13k is invested in our finance company Optivo Finance Plc. The sum of equity investment in dormant companies, charities and registered providers is nominal at £3. We currently have one project specific company within the group, Middlesex First Limited to which Optivo provides an equity loan of £9.6 million accounted for in intercompany debtors. We've also invested in a joint venture with Vistry Linden Ltd, delivering 146 new homes in Rainham, Kent.

What we do

We work with residents, local authorities and partners to help meet housing need and to create safe, sustainable communities for our residents. Our core tenure is social rented housing.

Through our work on social impact we aim to make a difference and work to support our residents and communities. Enhancing lives is key to our mission. Operating in some of the UK's poorest neighbourhoods we adapt our activities and projects to meet local need and priorities.

In 2021/22 we helped 1,379 people back into jobs and training. Our work helps people to gain confidence and overcome significant barriers to securing work. We also work with our supply chain businesses to find jobs and opportunities to improve skills for our residents.

We use our existing housing portfolio to secure new funding to support our development ambitions. We started 722 new homes in 2021/22. Our new homes are developed for rent (including affordable and social rent), shared ownership and open market sale. The majority will be in London and the South East with some targeted homes in the Midlands.

How we generate our money and what we do with it

In 2021/22 77% of our turnover came from rent and service charges and 13% from the sale of first tranche (shared ownership) and outright sales properties. Our operations generated £196 million cash. Cashflow generation together with net funding of £69 million and grant receipts of £29 million helped us to maintain a high level of investment back in to existing and new homes. At year end we had committed £433 million in capital investments on developments already in contract and a further £283 million investment on developments which had been approved but were not yet in contract.

Our Stakeholders and Engagement

We're committed to operating fairly, with integrity and respect for the opinions and perspectives of our stakeholders. A summary of our engagements is outlined below. Our primary stakeholders include our residents and service users, both current and future, our partners in central and local Government, our colleagues, suppliers and investors and the wider communities in which we operate.

Stakeholder	Key engagements	Outcomes
Residents & service users We seek to involve our residents in what we do, we regularly communicate with them, and through scrutiny reviews seek their views on how we can improve and listen and act upon what they tell us. Our new co-creation framework sets out how we'll involve residents in innovative and more meaningful ways.	• 60+ residents involved in our Resident Governance Structure (more information on page 63) • Publishing policy documents and corporate reports on our website • Issuing customer experience guide • Offering volunteering opportunities • Money and benefits guidance • Providing employment and digital support • Offering energy efficiency advice • Commitment to safeguarding the wellbeing of all residents • Carrying out satisfaction surveys • Social media presence • MyAccount online service • Innovative rent flex pilot offering flexible rent payment options.	• Overall satisfaction 88.8% • Satisfaction with quality of home 91.7% • Satisfaction with neighbourhood 91.0% • Satisfaction with repairs 97.1% • Vacant homes available for letting 0.57% • Gas safety 99.9%.
Staff Key to the delivery of all we do is our colleagues. We're only as good as those who deliver services on our behalf. Effective communication with our staff is critical to our ongoing success as are appropriate reward, honesty, dialogue and appraisal between employer and employee.	• Executive Team roadshows • Biennial staff conference • Staff forum • Union recognition with regular engagement • Staff surveys • Staff magazine • Culture calendar • Whistle blowing process.	✓ Satisfaction with employer 85.0% ✓ Average days sickper employee 7.2.

Stakeholder	Key engagements	Outcomes
Investors / funders We're a not-for-profit organisation with charitable status. We access debt capital through lenders and investors to enable continued investment in new homes. Communicating effectively with stakeholders and providing them with relevant and timely information are essential for maintaining access to debt markets and competitive pricing.	• Quarterly financial covenant compliance reporting • Half year trading statements • Bilateral meetings with lenders • Investor presentations.	• A3 (stable) credit rating • Secured £200 million new debt finance during 2021/22 across a range of tenors in the debt capital market.
Suppliers We work with numerous contractors and suppliers. They are an essential ingredient to enable us to deliver services and new homes, providing jobs and training opportunities for residents. Maintaining this two-way relationship is important.	• Equal access to tendering opportunities • Multi-year contracts with key suppliers • Standard contract management processes and controls including monthly/quarterly meetings and annual reviews • Attendance at Meet the Buyer events • Standard approved supplier processes and controls • Contractual mechanisms to extend contracts based upon performance • Problem solving hierarchies and escalation processes set out in contracts • KPIs in place.	• 85% supplier payment within two weeks of term • We delivered social value in procurement with supply chain and business partnerships • We forged social value arrangements with 111 businesses including contractors and suppliers • We create jobs and training opportunities for residents or sponsorship for young people's development projects.
Universities & NHS Trust partners We work in partnership with our NHS Trusts to provide key worker homes. Our student accommodation assets serve several universities, in many cases under explicit partnership arrangements.	• Regular dialogue with partners on accommodation bookings and demand forecasting. We're subject to their scrutiny on the quality of our service and welcome feedback.	• 97.9% occupancy in NHS key worker accommodation • 1.8% keyworker arrears • 87% occupancy in direct let student accommodation • 2.1% student arrears.

Stakeholder	Key engagements	Outcomes
National & Local Government We receive public money to help us provide more homes and services.	• Regularly respond to housing enquiries from Members of Parliament and local authorities. • Active member of the National Housing Federation and the G15 group of London's leading associations. • Through these bodies and our own activities, we engage with national Government, City Hall and local authorities to influence policy priorities. • We focus on making the case for funding for social housing delivery and associated services to be given high priority. • We champion the difference social housing delivery makes to the lives of our residents.	• All regulatory returns submitted on time • Strategic partnership status with the Greater London Authority.
Communities & Environment We support residents to save money on their bills, manage energy costs, improve their health and wellbeing and reduce environmental impact. We're striving to reduce our environmental impact to help manage our costs and be a more responsible business. We're investing in the quality, safety and environmental sustainability of our homes.	• Strategic plan 2020-25 sets our target of 92% resident satisfaction with the quality of their homes and 80% of homes receiving a high energy efficiency rating by 2025. • Our social impact statement makes a positive difference to our communities – one team working together. • We have a neighbourhood and estates statement highlighting our commitment to making places. • We tackle antisocial behaviour, crime and domestic abuse. We dealt with 1,102 anti-social behaviour cases in 2021/22. This included 326 domestic abuse cases which was a 24% increase on the previous year.	• 72.5% of homes are at EPC band C and above • 8,515 people on training and support activities across a range of activities • 1,379 people into jobs and training • Over 11,000 recipients of Universal Credit served and supported • London Energy Efficiency Awards – Housing Association of the Year.

Strategic Plan 2020/25 Co-creating our future

We're in Year 2 of our five year plan which was launched in April 2020. Optivo Board, residents and staff are fully engaged in delivering and monitoring progress which we're delivering through our six strategic priorities.

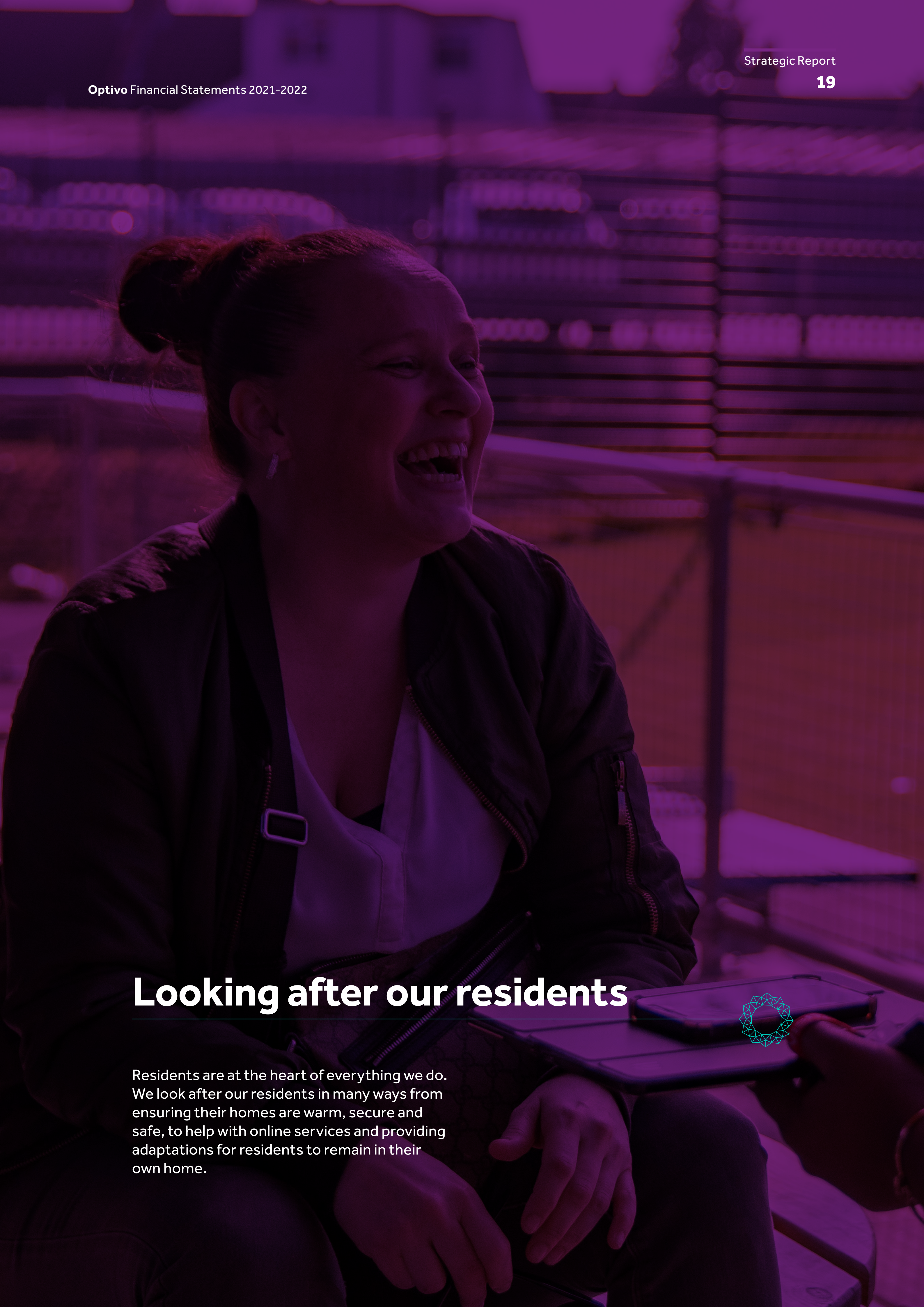
As part of our vision, we're determined to be Britain's best social landlord and one of the best providers of new, high quality, affordable homes. We'll do everything we can to tackle the housing crisis in an effective, efficient and values-driven way. Delivering our plan means that 'business as usual' isn't an option so the way we work has already changed to focus on:

- Reshaping our approach to resident involvement so residents help co-create our services
- Digital transformation of our services
- Investing in the quality, safety and sustainability of our homes
- Reducing our climate impact.

Supporting our staff with the right tools and training to change the way we work is also key to our success. And we're committed to being as efficient as we can be to provide true value for money.

The external environment continues to impact on delivery of our Strategic Plan. Record job vacancies as we emerge from the Covid-19 pandemic have caused challenges in recruitment and retention. Cost of living increases impact on our residents and on the cost of the services we provide. Government responses to how the sector pays for fire safety work in response to Grenfell has created further issues.

The six Strategic Governance Groups, each chaired by a Leadership Team member, meet regularly to review progress against headline targets for the current year and progress towards the 2025 vision. Updates are provided to the Executive Team and our Board. More detail on our performance is included on page 39.



Looking after our residents

Residents are at the heart of everything we do. We look after our residents in many ways from ensuring their homes are warm, secure and safe, to help with online services and providing adaptations for residents to remain in their own home.

Fire Safety

We know residents are concerned about fire safety. Working with our communications agency, Built Environment Communications Group (BECG) and involved residents, we held a workshop on key messages to help residents. We know the national uncertainty over fire safety costs has caused significant concerns for some of our leaseholders. Our policy has now been updated to reflect the new Government position on recharging leaseholders for fire remediation costs. We will not pass on costs to leaseholders for any fire safety remediation works we undertake related to historic defects as defined by the Building Safety Act 2022 regardless of the height of the building, or any interim measures.

Working in Partnership with Equans as part of the design process for fire safety work each building is reviewed for energy efficiency technological initiatives to benefit our residents. Equans have an active local presence and recruit local labour for our projects where possible. They have recruited two apprenticeships so far and as the programme increases will look to offer further opportunities.

Money and digital guidance

We've provided money and digital guidance to 3,228 people this year. And we've helped them to secure over £2 million of additional income through benefits and grants for their households.

The energy crisis is having a significant impact on poorer households who spend a higher proportion of their income on gas and electricity. In 2021/22, we've been helping residents in the following ways:

- Providing money guidance support
- Emergency fuel payments
- Issuing over 400 fuel vouchers to help with fuel bills
- Working with residents to maintain a bill paying habit avoiding more expensive pre-payment meters
- Delivering Winter Warmer packs supplied by Precision Lifts.

Our Winter Warmer packs included LED light bulbs, door and window draft excluders, energy efficiency guidance, blankets and heat-packs.

Digital infrastructure

Providing support for residents to have the confidence to access service online goes hand in hand with ensuring broadband is reliable and affordable.

We've made a pledge to connect all our homes with Fibre to the Home (FTTH) broadband infrastructure by 2025. The Covid pandemic highlighted the need for connectivity more than ever before, as we had to rely on the internet for online banking, education and even simply connecting with friends and family.

Our programme started in 2020/21 with a pilot programme connecting 700 homes at our Lansdowne Green Estate in London. The programme has accelerated this year and we now have five major providers as part of our bespoke digital infrastructure framework with over 10,500 homes provided with full fibre to home internet connectivity, generating around £320k fee income. Our programme continues to deliver added social value and benefits too, including new funding towards a Digital Inclusion role within our Social Inclusion team.

Equipment and adaptations

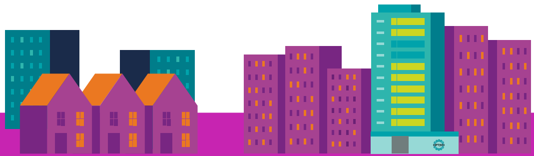
With over a third (35%) of our residents aged over 60 (12,000) and about 6,500 aged over 70, we want to ensure we support them in maintaining their independence for as long as possible. Adapting homes can increase the usability of the home environment and is proven to reduce the risk of falls and other accidents, as well as relieving pressures on the emergency services, speeding up hospital discharges and reducing the need for residential care.

We provide minor adaptations up to the value of £2,000 to enable disabled or elderly residents to remain independent in their own homes. We also work in partnership with occupational therapists, residents and local authorities where major adaptations or specialist equipment in excess of £2,000 is needed. Adaptation requirements vary from small measures such as fitting grab rails or ramps to larger projects such as installing a wet room. In 2021/22 we spent just over £1 million providing over 1,400 adaptations.

Affordable warmth

Launched last year, our sustainability strategy highlighted the importance of affordable warmth and the physical and mental health consequences of living in a cold home. Surging energy prices means affordable warmth is increasingly challenging, particularly for lower income households as price rises will eat up a greater share of their disposable income.

We've been working hard to help our residents and this year we've delivered the following:



72.5%	of homes reached EPC band C (annual target 72%)
539	completed retrofits on homes, including heat pumps, solar panels and improving insulation
200	advice sessions provided to residents. We've also procured a new supplier to expand the scope of advice
177	Switchee devices installed in our homes as part of a pilot project
100%	of new homes built in 2021/22 to at least EPC band B.

We also hosted our first live streaming event to discuss the energy crisis. We shared the session on our website, in residents' 'LIVE' magazine, with colleagues and on Twitter. During the live sessions, Optivo staff answered questions from residents on the price increases, support available and energy saving measures.

switchee

London Energy Efficiency Awards 21/22

Optivo won Housing Association of the Year at the London Energy Efficiency Awards for our work and partnership with Switchee.

The awards, held annually, celebrate organisations across London and other regions who have commitments to providing their customers with energy efficiency.

Optivo scooped the award which recognises organisations who have shown a true commitment to energy efficiency within their region.

The win comes from the work we continue to do to help residents with their energy bills, reducing the risk of mould and damp and providing advice. Switchee devices are smart thermostats that automatically manage temperature settings in the background; they turn the heating off when the home is empty and warm the home when residents are coming back. Switchee devices are helping Optivo hit challenging financial and environmental targets with real time, remote data analytics.

"We're thrilled to be awarded Housing Association of the Year at the London Energy Efficiency Awards on the back of our partnership with Switchee. The project continues to help our residents with their heating bills and we look forward to seeing where the partnership goes next."

Sid Ali,
Optivo Programme Manager

Build Yourself

Build Yourself is a young person's development programme, targeting 17-28 year olds across Sussex & Swale. The project allows young people to work in teams completing makeovers on community buildings. Over the course of six weeks, they get the opportunity to learn practical painting, decorating and DIY skills from a trained professional and also gain an accreditation in the form of a CSCS card (Construction Skills Certificate Scheme) to help them into employment.

The Heart of Sidley Project

Our community led partnership engaged 611 local families and children in one of our most deprived neighbourhoods in East Sussex. Activities for children entitled to free school meals have been oversubscribed. These help to fill the holiday hunger gap and provide positive activities for young people.

Resident wellbeing and personal development

As well as delivering our strategic targets on creating jobs and opportunities for our residents, our Social Impact team are also working with residents to support their wellbeing and personal development. In the last two years residents have faced extraordinary changes and challenges from the pandemic and the current cost of living crisis.

As well as employment support, residents have told us they need our help on reducing isolation, supporting young and vulnerable people and improving communities. We know addressing these issues means happier households; and successful families and parenting are a springboard for success.

Nearly 50% of Optivo residents over 55 years old live alone. Covid-19 has exacerbated loneliness and isolation for this group. We also want to support a generation of young or vulnerable residents adversely impacted by Covid-19. The Prince's Trust Youth Index indicates young persons' wellbeing is at its lowest for a decade.

This year our Social Impact Team have achieved:

2,106	residents supported with wellbeing
92	community volunteers in action
491	digital devices issued
866	residents confirmed they feel more confident and less isolated
1,309	young residents supported with personal development
104	domestic abuse survivors supported including 51 children

Motivate Health

This is an after school weekly youth provision targeting 10-16 year olds. The programme supports young people to gain confidence, make informed healthy lifestyle choices and progress into further learning and employment.

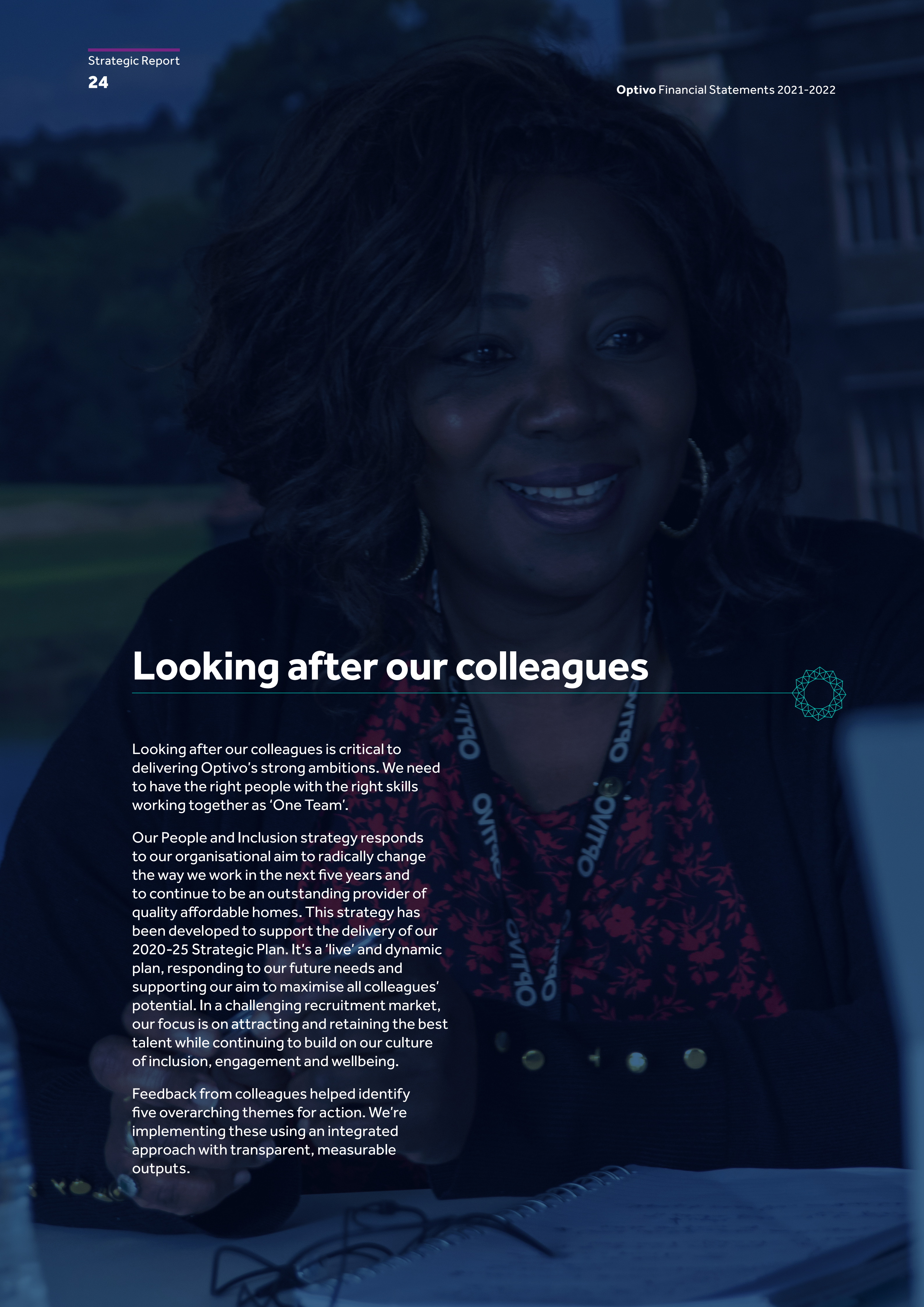
The project is currently being delivered across Sussex and South London.

Intouch

This programme is aimed at people over the age of 55 who are living alone. We provide a range of health and wellbeing initiatives and employment support to combat isolation and loneliness.

Optivo Wellbeing team

To boost residents wellbeing we've organised groups like Walk 2 Run. Our health membership scheme gave free access to leisure centres for people with long term health conditions. We provided free access to Togetherall, an online mental health service.



Looking after our colleagues

Looking after our colleagues is critical to delivering Optivo's strong ambitions. We need to have the right people with the right skills working together as 'One Team'.

Our People and Inclusion strategy responds to our organisational aim to radically change the way we work in the next five years and to continue to be an outstanding provider of quality affordable homes. This strategy has been developed to support the delivery of our 2020-25 Strategic Plan. It's a 'live' and dynamic plan, responding to our future needs and supporting our aim to maximise all colleagues' potential. In a challenging recruitment market, our focus is on attracting and retaining the best talent while continuing to build on our culture of inclusion, engagement and wellbeing.

Feedback from colleagues helped identify five overarching themes for action. We're implementing these using an integrated approach with transparent, measurable outputs.

Highlights from these activity streams over the last year include:

Our themes	Our values	Our targets
 **Colleague and candidate experience**	• Be recognised as a great place to work that's progressive and inclusive • Strong colleague voice • Employment offer which retains and attracts diverse talent • A thriving and positive culture.	• 71% of colleagues feel valued • 78% of staff confirm leaders live and breathe the CORE values • 83% of staff confirm colleagues live and breathe the CORE values • 84% of staff confirm managers live and breathe the CORE values • Glass door rating overall 3.8 (out of 5) with 74% of respondents who would recommend Optivo to a friend • With a rating of 4.0 for culture and 4.2 for diversity and inclusion, candidates confirm the benefits package and our culture of inclusion was a contributing factor to applying for our vacancy.
 **Wellbeing**	• Managers with the confidence, skills, knowledge and tools to support the wellbeing of teams • A workforce that has good mental wellbeing • Increased awareness of good mental health and wellbeing • Colleagues who understand when and how to seek support if needed.	• 75% of colleagues are happy with their work life balance/ wellbeing • 75 trained Mental Health First Aiders in place across our locations • Wellbeing action plan in place • Sick days directly linked to mental health (stress, anxiety and depression) sitting at lowest levels (28.2%) since July 2021 • Over 3,800 hits on our wellbeing support pages • 324 calls were made to our employee assistance programme between May 2021 and April 2022 with 89% for counselling and 11% for legal advice.

Our themes	Our values	Our targets
 **Inclusive**	• Managers understand the principals of inclusion and diversity and integrate this into practice • Colleagues feel included and can be their best selves • Colleagues understand the richness and benefit of a diverse organisation • Diverse role models visible across all levels of the organisation.	• 17.2% BA / ME (Black, Asian / Minority, Ethnic) representation at leadership team level (2025 target 20%) • 7.5% of colleagues representative of the population for disability (2025 target 10%) • Annual culture calendar and inclusive action plan in place • Achieved over 90% disclosure rates for disability, sexual orientation and ethnicity.
 **Maximise Potential**	• Our learning offer meets the needs of our people • Maximising potential development programme in place • Great leaders and managers.	• 86% of colleagues feel confident or very confident to put learning into practice after training/development • 72% of colleagues confirm they feel they have opportunities to develop, grow and thrive • Maximising potential career development programme launched.
 **Optimise our service delivery**	• Provide managers with the tools to be extraordinary • Maximise all people systems and processes.	• Management data packs in place and provided to leadership team on a quarterly basis to aid evidence-based decision making • Service level agreements in place for key people processes • 71% of colleagues confirm people systems are easy to access and use • Launched new learning and performance systems making people management easier for all • Co-created people behaviours and managers' charter and associated management development support.

Inclusive employers award

We use a co-creation and an evidence based approach, working to gain insight from colleagues and utilising external benchmarks to inform action planning. This year we submitted an application to become an inclusive employer for the first time and successfully achieved a silver award. Using the inclusive employers framework, we're able to benchmark ourselves against other organisations inside and outside of our sector. This data is driving our internal action planning work and will help us measure success and improvement.

Inclusive Employers Standard Silver Accreditation 2022

Optivo has achieved the Silver Inclusive Employer Standard (IES) accreditation. The IES is a workplace accreditation assessing how inclusive and diverse we are as an organisation. Based on six pillars, of inclusion the IES used our evidenced responses to assess how we're doing.

Here's what Inclusive Employers had to say about us:

"Congratulations on achieving silver accreditation! This was a really strong submission, particularly as it was your first time applying. It's clear from the quality and abundance of evidence provided your organisation is working really hard to embed an inclusive culture. The fact that inclusion is one of the key pillars in your corporate strategy has enabled you to filter inclusion throughout the business as a priority and just the way you do things".

We were particularly for commended for:

- The strengths, contributions and impact of our diversity network groups
- Our Women@Work network group were featured in Inclusive Employer's Everyday Inclusion publication
- Our approach to diversity data collection was recognised as 'advanced and well-embedded', meaning we have high rates of disclosure
- Our inclusion-related communication is wide ranging and includes topics such role-modelling inclusion.

The accreditation highlights that inclusion is integral to our organisation and we're committed to continual progression. We've used the bespoke feedback to help create an action plan to help us achieve gold.

HDN YOUR NETWORK TO DIVERSITY

disability confident COMMITTED

Leadership 2025

Committed Member of Inclusive Employers

Inclusion & Diversity

Looking after our planet

At Optivo we want to play our part in looking after our planet. In 2020/21 we launched our sustainability strategy which set out a schedule of ambitious targets up to 2025 to ensure Optivo makes a positive impact on climate change. Our strategy was produced in consultation with residents, colleagues and suppliers recognising we need to work together to reduce our carbon footprint and provide sustainable and resilient environments to live and work in.

Net zero carbon

Decarbonisation is the biggest future challenge for housing providers. There are many definitions and scenarios for what net zero carbon looks like and how much it will cost.

The government's Net Zero Strategy (NZS) states:

'In England we are committed to our target for fuel poor households, as far as reasonably practicable, to be living in a home rated EPC Band C or better by 2030'

There is sector agreement that this measure needs to be implemented 'where cost-effective, practical and affordable'. Challenges include additional installation and maintenance costs of new technologies, material and labour force capacity in the supply chain as well as responding to further changes to the regulatory, statutory and funding framework.

Despite the challenges, we're committed to reducing our carbon footprint by 2050 in line with Government legislation. We're in the process of finalising our net zero carbon strategy which will help improve the energy performance of our homes incrementally. We're on track to deliver our strategic target of 80% of our homes reaching EPC band C by 2025. Our current long-term financial plan includes costs and funding for 100% of social housing assets to be at least EPC band C by 2030 and estimates for these homes to be carbon neutral by 2050.

Our modelling includes replacing gas heating with electrically operated heat pumps, decarbonisation of the electricity grid by 2050 and disposal of around 50 homes per year where those homes cannot cost-effectively reach these targets. Implementing these targets may be impacted by changes to grant funding and future changes in legislation.

Key achievements delivered this year that will help us deliver net zero carbon included:

- Achieved SHIFT Gold Standard for the fourth year
- Secured £0.5m grant funding for carbon reduction projects
- Provided professional qualification training for our sustainability team enabling them to deliver decarbonisation projects to correct standards
- Reviewed our stock condition survey programme to focus on closing the gap on the energy performance data giving us more reliable data for retrofit planning
- Installed EV charging points in our new developments and are working on an EV policy for offices and existing residents
- Implemented hybrid working to enable staff to work more flexibly so reducing the need to travel between offices
- 94% of our office supplies are responsibly sourced.
- Surveyed 58% of maintenance contractors on their carbon emissions, responsible sourcing and waste management as part of our annual Sustainability Audit with our key suppliers.

Energy Performance Data

We've chosen to share our energy performance data. We monitor progress against our targets each year and produce a compliance report covering our operations, buildings, processes and fleet. The key metric we measure is CO_2e per home managed, our performance has improved to 0.3555 tonnes per home per year for 2021/22 compared to 0.3883 in 2020/21.

Streamlined Energy and Carbon Report (SECR)	Unit	2021/22	2020/21	2019/20
Total energy consumption used to calculate emissions	MWh	64,199	68,448	78,655
Emissions from:				
Gas	Scope 1 CO_2e	7,702	8,544	9,697
Transport fuel	Scope 1 CO_2e	525	522	544
Air refrigerant leaks	Scope 1 CO_2e	122	45	64
Electricity	Scope 2 CO_2e	4,064	4,450	5,564
Transport fuel	Scope 3 CO_2e	184	169	456
Total gross tonnes (a)	CO_2e	12,597	13,730	16,325
Number of homes managed (b)		35,438	35,360	35,278
Intensity ratio (a/b)		0.3555	0.3883	0.4628

Methodology:

Prepared in accordance with the provisions of the Greenhouse Gas (GHG) Reporting Protocol - Corporate Standard and HM Government environmental reporting guidelines including streamlined energy and carbon reporting guidance issued March 2019.

DEFRA Conversion Factors 2021 have been used to convert electricity and gas consumption in kWh to tonnes CO_2e/ transport fuel consumption in mileage/litres to tonnes CO_2e and then to kWh/ refrigerant usage in kilograms to tonnes CO_2e.

Action on energy efficiency undertaken during the reporting period:

Our energy procurement strategy continues to deliver value to our communal service charge payers. This year's delivered energy costs were consistently below spot market prices. Whilst unprecedented supply shocks continue to pose a threat we remain proactive in managing these risks.

We've completed communal lighting surveys covering over 22,000 lights across our 400 highest consuming sites. A business case was developed on how we can achieve savings of up to 1GWh/year of electricity or 236 tonnes/year of CO_2e.

In Winter 2021 we focused on assisting our customers with their home energy bills through a coordinated communication campaign, including the offer of free 'energy doctor' visits and advice on accessing grants, vouchers and fuel banks. Targeting the most vulnerable, we were able to reach 9,000 residents.

Looking after our homes

We understand the difference safe, secure, and affordable homes can make to our residents' lives. Our asset management strategy sets out our ambitious plans to 2025. By 2025 our homes will be safer and greener and residents will be more satisfied with the quality of their homes and the services we provide. Resident safety remains our top priority.

In 2021/22 we invested over £87.6m of direct costs looking after our properties. The highest proportion of spend was on repairs (29%) followed by capital investment (23%) and fire safety (18%).

2021/22 Maintenance spend % split

Financing our homes

Spend on repairing our homes, including empty homes, accounted for 29% of our total direct spend. Controlling this budget has remained challenging as we continue to clear a back-log of repairs from the Covid-19 pandemic and manage a higher underlying demand.

Costs are also being driven up by rising fuel costs, Brexit, and supply chain shortages as we all respond to the work back-log. We've launched a new 'shared value' contract with Axis (providers of our repairs services in Kent and Sussex) which incentivises performance and cost management. Average void costs have been significantly impacted by clearance costs; we're looking to reduce costs by in-sourcing some of this work and have also changed our pre-termination visit process.

Capital investment accounted for 23% of total direct spend. The programme is essential for meeting current Decent Homes Standards and maintaining our assets to a high standard. We installed 577 kitchens, 467 bathrooms and tested and, where required, upgraded the electrics in 6,993 homes. We also installed 1,305 energy efficient boilers and replaced the windows or doors in 1,491 homes which will help reduce heating bills for residents and improve comfort within their homes.

The safety of our residents remains our top priority. Post the Grenfell disaster, many recommendations from the Hackitt Review, MHCLG Advisory notes, the new Fire Safety Act 2021 and new Building Safety Act 2022, have informed the focus of our Building Safety Programmes. This year we spent 18% of total direct spend on fire safety programmes.

Research by our Resident Scrutiny Panel highlighted the importance of communication around fire safety. In particular, the information available to residents about their homes, either online or via our contact centre, communicating about upcoming works or changes to their homes. We've responded to these concerns by developing a comprehensive communications strategy with residents.

The focus of our strategy is not only on what we spend but how we deliver our services and how technology can help. We're working to redesign priority services including estate services from a resident perspective. Digital and technological advances will help us redesign our service and to cut waste.

Our vision is to equip front line colleagues with the technology to deliver quick and efficient property services and increasing the use of smart building technology will help us to diagnose problems and undertake repairs early. This will enable us to drive value for money and optimise the experience for residents.

Residents will be able to access more of our property and asset management services at any time and place that suits them, seven days a week via our easy-to-use online offer.

We've trialled a number of IoT systems to date and these have shown the reliability of these technologies. More advanced systems are quickly emerging in the market.

Our pilots have delivered further key lessons including the need to understand the rate of return delivered.

For these new technologies to be fully effective enabling us to maximise the benefit, we need to further develop our vision of how these are integrated with our systems and also aligned with our supply chain partners' systems.

Over the next four years we'll be actively piloting further systems and developing our vision and business case for the application of the IoT systems.

Financial Review

In 2021/22 our turnover was £340 million. At 31 March 2022 we had fixed assets of £3.4 billion (at cost) and reserves of £870 million. We reported an operating surplus of £97 million and an operating margin of 20.4%. Our social housing activities generated an operating margin of 23.4%. Our operating surplus includes £27 million surplus on housing property disposals (2020/21: £24 million). Surplus before tax is £108 million (2020/21: £90 million).

Results	2021/22 £m	2020/21 £m	2019/20 £m	2018/19 £m
Turnover	340	332	322	314
Cost of sales	(40)	(37)	(25)	(19)
Operating costs	(230)	(216)	(224)	(204)
Surplus on disposal of fixed assets and investments	27	25	17	12
Operating surplus	97	104	90	103
Surplus on other sales	1	-	1	-
Other finance income	-	-	2	-
Net interest payable	(52)	(53)	(47)	(42)
Surplus before fair value movements	46	51	46	61
Fair value property and investment movements	7	5	(5)	29
Derivative movement	55	34	(23)	(2)
Surplus for the year	108	90	18	88

Analysis of turnover

- Turnover of £294.6 million (excluding sales) increased by £8.4m compared to 2020/21. Increased income came from the annual rent increase, additional rent from newly developed homes and other non social housing activities. 95% of turnover excluding sales is generated from social housing activities
- First tranche sales turnover of £34.1 million increased by £2.8m compared to 2020/21. Turnover from open market sales was £11.3m compared to £14.8m in 2020/21
- Turnover from shared ownership properties increased to £28.8 million (2020/21 £28.0 million) reflecting an increase in homes completed and annual rent increases partly offset by additional staircasing in the year
- Service charge costs of £33.9 million exceeded our income of £29.0 million (2020/21 net loss £3m) mainly due to additional fire safety spend and managing agents' fees not recovered.

General needs	£206m
First tranche sales	£34m
Supported & HOPs	£33m
Shared ownership	£29m
Open market sales	£11m
Students	£11m
Keyworkers	£8m
Other non social housing	£5m
Other social housing	£3m

Analysis of expenditure

Maintenance	£90m
Management	£48m
Depreciation & impairment	£40m
Services	£34m
Cost of sales	£29m
Market rent cost of sales	£11m
Students	£9m
Other non social housing	£7m
Other	£3m

Operating costs (excluding cost of sales) increased by £14.1 million to £230.3 million. We increased our maintenance spend by £7.3 million and services spend increased by £2.9 million. Management costs increased by £2.7 million, mainly due to cost of living and energy price increases.

Interest and sales

- Interest and financing costs decreased by £2.4 million to £51.5 million (2020/21: £53.3 million) and reflects our treasury deals to reduce interest rates payable on some of our longer term debt.
- Surplus on staircasing (where the leaseholder acquires a further property equity share), voluntary right to buy / right to acquire sales and asset management sales increased by £3 million to £27 million (2020/21: £24 million). We sell void properties if it is not economically viable to repair them or if they are in an estate regeneration disposal programme. We reinvest sales proceeds to build new and improve existing homes.

Balance sheet	2021/22 £m	2020/21 £m	2019/20 £m	2018/19 £m
Total fixed assets	3,435	3,238	3,103	2,911
Net current assets / (liabilities)	58	(86)	139	81
Total assets less current liabilities	3,493	3,152	3,242	2,992
Long term liabilities & provisions	(2,623)	(2,403)	(2,567)	(2,349)
Net assets	870	749	675	643
Reserves	870	749	675	643

Housing properties

Our housing properties are mainly held at historical cost, unamortised grant is held in creditors. The increased fixed asset carrying cost of £197 million includes £228 million investment in new homes and £19 million spend on improvements and component replacements to existing homes. To date we have received £1.2 billion social housing and capital grant to support our development programmes.

Pensions

We operate five funded schemes and an Optivo defined contribution scheme. Four funded schemes are in deficit and all are closed to new members. The liability on the funded schemes is £23 million. The defined contribution scheme offered to new staff carries no deficit risk to Optivo.

Reserves

Our reserves are fully reinvested back into services and new homes to deliver sustainable communities.

Homes	2021/22 £m
Property cost less depreciation and impairment	3,281

Funded by	2021/22 £m
Loans and bonds net of cash and short term investments	1,551
Unamortised grant	956
Revenue reserves	870
Other balances	(95)

Cash flow	2021/22 £m	2020/21 £m	2019/20 £m	2018/19 £m
Cash generated from operations	196	141	108	80
Cashflow from investing activities				
Proceeds from sale of assets	-	17	2	-
Purchase of assets	(241)	(202)	(232)	(264)
Investment in joint venture	7	2	(4)	-
Grant received	29	28	25	15
Interest received	-	1	3	5
Cashflow from financing activities				
Net borrowings	69	19	212	192
Interest paid	(62)	(57)	(57)	(51)
Net change in cash	(2)	(51)	57	(23)

We had £85.0 million cash and liquid resources at 31 March 2022.

Social Housing Lettings performance

Our core business is social housing lettings with our main tenures being general needs, supported housing, keyworkers and shared ownership. Our NHS keyworker portfolio had another exceptional year ending with 97.9% average occupancy. Our operating margin reduced by 3.4%, turnover increased by £10 million but that was more than offset by increased spend on maintenance of £7 million, bad debts of £3.5 million (2020/21 included a provision release), depreciation of £1.4 million and management costs of £2.7 million.

	2021/22	2020/21
Homes owned and or managed	41,100	40,700
Revenue	£278m	£268m
Operating surplus	£65m	£72m
Operating margin	23.4%	26.8%

Non social housing

Sector confidence returned in 2021/22 with students returning to campus having spent 2020/21 in a remote learning environment. We entered the current academic year at 87.1% occupancy, up from 75.3% the previous year. Only our site at Wood Green reported occupancy below the sector average of 90%.

Student accommodation	2021/22	2020/21
Homes managed	1,835	1,835
Revenue	£10.9m	£12.7m
Operating surplus	£2.3m	£0.5m
Operating margin	21%	4%

Social impact	2021/22	2020/21
Revenue	£1.4m	£1.3m
Costs	£3.5m	£3.2m
Optivo investment	£2.1m	£1.9m

81 contractors provided training, donated staff hours, provided materials for community projects, made charity donations and /or provided job and placement opportunities. 20 firms promoted vacancies through our employment support team and 17 businesses contributed over £50,000 to our charity, Fresh Visions.

Development and sales performance

Development activity picked up in the second half of the year after continuing disruption in the first half. We achieved 722 starts and 621 completions vs targets of 815 and 771 respectively. Sales performance was strong, particularly shared ownership staircasing where we out performed budgeted surplus by £6m. We completed 77 homes for outright sale and sold 31. We target 850 starts and 1,169 build completions in the year ahead.

	2021/22	2019/20
Homes started	722	1,002
Homes completed	621	577
Homes under construction at 31 March	3,087	2,812

Development and sales performance (continued)

Property disposals within operating surplus	2021/22 Turnover (£m)	2021/22 Operating surplus (£m)	2021/22 Margin	2020/2021 Turnover (£m)	2020/2021 Operating surplus (£m)	2020/2021 Margin
Shared ownership first tranche	£34.1m	£4.9m	14%	£31.3m	£6.1m	20%
Open market sales	£11.3m	£0.4m	3%	£14.8m	£2.4m	16%
Staircasing and right to buy	-	£12.8m	-	-	£10.3m	-
Miscellaneous property sales (social housing)	-	£14.5m	-	-	£14.1m	-
Disposal of investment	-	-	-	-	£0.7m	-

Cash and financing

We increased funding headroom by selling our retained £100 million 2035 bond in August 2021 and completing the deferred sale of our £100 million 2043 bond in March 2022. In March 2022 we repaid the £150 million previously borrowed from the Bank of England's Covid Corporate Financing Facility (CCFF). Derivative fair value reduced due to restructuring.

Funding sources	2021/22 £m	2020/21 £m	2019/20 £m
Cash and cash equivalents	85	87	137
Available bank facilities	523	640	405
Retained bonds held	50	100	-

Metrics	2021/22	2020/21	2019/20
Interest rate profile:			
% of net debt fixed	93%	91%	85%
Weighted average duration	14 years	11 years	13 years
Weighted average debt cost	3.57%	3.64%	3.79%
Derivative mark-to-market	£21m	£136m	£171m

Value for money

Our Board drives the delivery of efficiencies supported by the whole business and residents. We have embedded a culture of cost awareness. Colleagues understand efficiency is not just about cost cutting but about freeing up resources to invest in making a bigger positive impact on society.

Key Financial Indicators

	2021/22	2020/21	2019/20	2018/19
Number of homes in management excluding leaseholders	43,007	42,599	43,155	42,857
We added 539 new social housing homes via development. We sold or handed back to landlords 102 properties.				
Social Housing cost per unit	£4,663	£4,378	£4,425	£4,189
Our cost per unit increased by £285, increased maintenance, services and management costs.				
Interest cover (Association as per loan agreements)*	239% 210%	189% 169%	197% 162%	247% 287%
EBITDA - Earnings before interest, tax, depreciation & amortisation per home	£4,489	£4,112	£2,114	£3,656
EBITDA - Earnings before interest, tax, depreciation and amortisation and excluding FAIR VALUE movements per home	£3,045	£3,171	£2,763	£3,042
EBITDA MRI (including major repair improvements capitalised) per home	£4,057	£3,171	£1,676	£3,232
EBITDA MRI (including major repair improvements capitalised) excluding FAIR VALUE movements per home	£2,613	£2,698	£2,318	£2,619
Positive fair value movements have helped to improve EBITDA and EBITDA – MRI. Removing the impact of fair value movements shows a decrease explained by increased operating costs in 2021/22.				

*First figure adds back capitalised major repairs, second figure does not.

	2021/22	2020/21	2019/20	2018/19
Net debt to turnover	4.56	4.11	4.19	3.79

Debt less cash increased by £134 million and turnover increased by £8 million.

	2021/22	2020/21	2019/20	2018/19
Operating margin	22%	24%	23%	29%

Operating margin (excluding all sales) of 21.8% exceeds our target for the year of 20.4%. Rental income was lower than target due to delays in new handovers but offset by lower operating costs. A high number of vacancies in a challenging recruitment market resulted in lower spend on staff costs. Fire safety spend was also lower than expected as we responded to changing Government announcements.

	2021/22	2020/21	2019/20	2018/19
Change in turnover	2%	3%	3%	(1)%

Increased revenue from rents and service charges £7 million, open market sales £3 million and other revenue income £2 million partly offset by lower open market sales income £3 million.

	2021/22	2020/21	2019/20	2018/19
Change in major repair improvements capitalised year on year	(8)%	(2)%	5%	5%

Our maintenance spend overall increased but we capitalised less than in 2021/22.

	2021/22	2020/21	2019/20	2018/19
Effective interest rate	3.57%	4.11%	3.93%	4.24%

We increased net borrowing by £69 million, our average weighted cost of debt decreased to 3.57%.

Other metrics

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Rent arrears	4.1%	4.5%	4.1%	4.5%

Rent arrears of 4.1% was better than our annual target of 4.5%. We expected an increase in arrears in 2021/22 as a result of the continuing economic impact of Covid-19 and a significant increase in new claims for universal credit, we were however able to manage the impact well.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Void rent loss General Needs and HOPS (GN and Housing for Older People)	0.95%	1.0%	1.1%	1.0%

Void loss performance improved and is below our target of 1%.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Average days re-let times General Needs (GN)	41 days	30 days	56 days	25 days
Average days re-let times Housing for Older People (HOPS)	97 days	110 days	127 days	40 days

Our performance is an improvement on 2020/21. HOPS re-let time was better than our target and a 30 day improvement on last year's performance. GN re-let time was 46 days in March and 41 days average for the year against a 30 day target, a 15 day improvement on the relet time year on year. Delays taking us over target were due to receiving multiple nominations, multiple refusals and an increase in repair time.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Vacant homes available for letting	0.57%	0.7%	0.6%	1.0%

Performance is better than target.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Satisfaction with quality of home	91.7%	90.0%	92.5%	90.0%

We exceeded our target. During 2021/22 we installed 577 replacement kitchens, 467 bathrooms and 1,305 boilers. In addition, 1,491 homes benefited from new windows or doors and almost 6,993 homes had electrical systems checks and remediation works carried out.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Homes with Standard Assessment Procedure (SAP) rating 69 or more	72.5%	72.0%	70.8%	68.0%

We ended the year ahead of our target. We completed retrofit works on 587 homes, including heat pumps, solar panels and improving insulation.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Satisfaction with repairs	97.1%	95.0%	96.8%	97.0%

Despite ongoing high demand for repairs we ended the year above our target.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Satisfaction with neighbourhood	91.0%	92.0%	92.3%	92.0%

Satisfaction was below target at 91%. We've reviewed our antisocial behaviour service and will be focussing on Improving communication to residents about our ASB service offer, adopting a more targeted approach to the support we provide and improving accessibility of reporting ASB, accommodating two-way communication by developing an enhanced digital reporting solution.

Other metrics (continued)

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Satisfaction with overall service	88.8%	88.0%	88.7%	93.0%

At 88.8% satisfaction is high and slightly above target. We ended the year positively with monthly satisfaction increasing to 93% for March 2022. The speed and quality of repairs and responsiveness of staff not getting back to customers were the main areas of dissatisfaction highlighted from comments this year. We're working to clear the backlog by quickly progressing recruitment to vacant roles and adding more contractors in some areas to give us more capacity.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
New home starts	722	815	1,002	1,000

We achieved 722 new home starts against a 2021/22 target of 815. There were 395 starts in Sussex, 255 in London and 10 in Kent, 62 in Midlands.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
New home build completions	621	771	577	571

We achieved 621 build completions against a 2021/22 target of 771. We built 262 in London, 214 in Sussex, 139 in Kent and 6 in the Midlands. The build completions were achieved amid delays with the supply of materials due to COVID-19 and impacts due to Brexit. 539 new social housing homes were let or ready to let at 31 March 2022.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
New sale receipts	£45.5m	£74.9m*	£46.1m	£49.8m

We achieved 294 first tranche sales and 31 open market sales in 2021/22.

*We're selling some homes to Sage that were previously in our sales target, completions begin in 2022/23.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Number of people into jobs and training	1,379	>1,000	1,246	1,000

We've progressed 1,379 people into jobs and training (502 jobs, 877 training) against an end of year target of 1000. We've achieved our target of 1,180 jobs and training linked to our social value commitment with BNP Paribas. Our KickStart scheme supporting young people at risk of long-term unemployment helped 63 young people into the business against a target of 72.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Satisfaction with employer	85.0%	82.0%	88.6%	80.0%

We are proud to have maintained strong satisfaction given the current environment.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
Sickness absence – average days	7.2	7.0	7.0	7.0

This is slightly above target, the most common reasons for absence are anxiety/mental health and Covid related illnesses. People team business partners work with the business to proactively manage absence, both short and long term to manage issues as they arise.

	2021/22 Actual	2021/22 Target	2020/21 Actual	2020/21 Target
% voluntary staff turnover	7.7%	12.0%	13.2%	12.0%

Voluntary staff turnover is worse than target. The majority of resignations were for career reasons and is indicative of the continued candidate driven market. A retention strategy is being developed, the challenging market conditions are likely to continue for some time to come and it's important to grow and retain talent.

Target metrics for 2022/23

We've set ourselves challenging targets for 2022/23, Strategic Target Governance Groups will monitor delivery and report on progress to Board and Executive team via the Portfolio Steering Board.

Strategic plan priorities and key performance indicators	2022/23 Target	2021/22 Actual
P1: Invest in the quality, safety and environmental sustainability of homes		
% Satisfaction with quality of home	90.0%	91.7%
We continue to implement repair improvement plans.		
% Homes with SAP rating 69 (band C) or more	73.0%	72.5%
SAP targets align to our budget and financial plan.		
P2: Provide great customer experience		
% Satisfaction with overall service	88.0%	88.8%
Achieving satisfaction with overall service target of 88% would place us joint first of the G15 (based on performance for the year ending March 2021). We're anticipating the 2022/23 rent and service charge increases may have an impact on satisfaction performance in the first quarter of the new year. We've put a number of mitigations in place including a 'heads up/support letter' and support through a Discretionary Payment Scheme.		
P3: Be a leading provider of high quality affordable homes		
New home starts	850	722
Our proposed target for 2022/23 is set in accordance with our financial plan.		
P4: Creating jobs and training opportunities in our communities		
Number of people into jobs and training	1,000	1,379
We target a minimum of 1,000 people into jobs and training in 2022/23. This is in line with our social impact statement and Fresh Visions charity objectives. This is below what we achieved in 2021/22. Our target takes into account the availability of financial support through external funding and our staffing and resource capacity.		
P5: Be an inclusive and diverse organisation		
% Satisfaction with employer	83.0%	85.0%
This is below what we achieved in 2021/22 but higher than the 2021/22 target. Challenges are to maintain support for wellbeing especially in connection with good mental health as we progress merger plans.		
P6: Run an efficient business		
% Operating margin	18.3%	20.4%
Our operating margin target for 2022/23 is 18.3%. Our budget assumes £6m of leasehold fire remediation safety work will be paid for by Optivo. This is a prudent assumption although we'll actively seek out opportunities to fund retrofit works via Government grants, claims from warranties and pursuing developers/construction teams. We will not recharge leaseholders.		

Strategic operations targets

	2021/23 Target	2020/22 Actual
% Satisfaction with neighbourhoods	91.1%	91%
We regularly inspect communal areas and neighbourhoods and are working in partnership with agencies and residents to prevent ASB.		
Average re-let times - General Needs (GN)	30 days	41 days
We were above target in 2021/22. We have improved the end of tenancy process and have introduced pre-sign ups and digital tenancy signing which will help us improve on re-let times during 2022/23.		
Average re-let times – Housing for Older People (HOPS)	110 days	97 days
Letting HOPS homes can be challenging but we exceeded our target in 2021/22. We will continue to review demand in HOPS schemes and recommend options.		
% Void rent loss (GN and HOPS)	0.95%	0.9%
We set ourselves challenging targets to reduce our void rent loss in our efficiency plan. We've set a target of 0.95%, down from our 1% target in 2021/22.		
% Vacant homes available for letting (GN & HOPS)	0.65%	0.6%
This is lower than our previous target but higher than current performance and takes into account the continued uncertain operating environment and the challenges around HOPS.		
% Current arrears eight week average (GN & HOPS)	4.2%	4.1%
We expect 2022/23 to be a tough year for residents with the cost of living crisis. As this may make rent collection more challenging we've set the rent arrears target at 4.2%. This is the lowest target we've ever set and is at the top level of performance for G15.		

Regulator of Social Housing - value for money metrics

We also use the Regulator of Social Housing's value for money metrics to review our performance and target actions. We measure these against our G15 peers. Although G15 comparisons are a year behind our financial reporting they provide an effective comparison of performance.

Our performance against targets is summarised below.

Metric 1 – Reinvestment	2021/22	2020/21	G15 2020/21 Highest	G15 2020/21 Lowest	G15 2020/21 Median
Investment in property	7.5%	6.8%	8%	3%	5%

This measures our investment in new and existing homes as a percentage of the total value of properties held. We invested £247 million in new and existing homes in 2021/22 compared to £210 million in 2020/21. We were above the median for reinvestment % in 2020/21 in our peer group.

Metric 2 – New supply	2021/22	2020/21	G15 2020/21 Highest	G15 2020/21 Lowest	G15 2020/21 Median
A. New supply delivered % (social housing)	1.3%	1.4%	2.7%	0.5%	1.4%
B. New supply delivered % (non-social housing)	0.2%	0.1%	2.0%	0.0%	0.5%

This metric sets out new housing supply delivered by us as a proportion of our total homes at period end. New supply delivered was slightly below our target due to handover delays. 2020/21 performance was the same as the median in our peer group for social housing supply.

Metric 3 – Gearing	2021/22	2020/21	G15 2020/21 Highest	G15 2020/21 Lowest	G15 2020/21 Median
Gearing	47.3%	46%	59%	40%	48%

This metric assesses how much of the adjusted assets are made up of debt and the degree of reliance on debt finance. Our net debt increased by £134 million, this was offset by an increase in housing assets of £198 million. We remain within our lender covenant and risk appetite set by Board. 2020/21 performance was just below the median level in our peer group.

Metric 4 – EBITDA MRI interest cover %	2021/22	2020/21	G15 2020/21 Highest	G15 2020/21 Lowest	G15 2020/21 Median
EBITDA-MRI %	131.7%	143.3%	170%	39%	126%

This is a key indicator for liquidity and investment capacity. Our EDITDA - MRI percentage increased, our adjusted surplus increased by £6 million and our interest payments decreased by £8 million. Our 2020/21 performance was significantly above the median in our peer group.

Regulator of Social Housing - value for money metrics (continued)

Metric 5 – Headline cost per unit (CPU)	2021/22	2020/21	G15 2020/21 Highest	G15 2020/21 Lowest	G15 2020/21 Median
Social housing CPU	£4,663	£4,378	£9,075	£3,951	£5,337

Our social housing cost per unit has increased by £285. £174 is due to increased maintenance spend per home. Service charge costs increased by £62 and management costs by £55. 2020/21 cost per unit was in the lower quartile compared to the G15. Detailed analysis is included from page 49 of this report.

Metric 6 – Operating margin	2021/22	2020/21	G15 2020/21 Highest	G15 2020/21 Lowest	G15 2020/21 Median
Operating margin – overall	20.4%	23.6%	28%	1%	21%
Operating margin – social housing	23.4%	26.8%	39%	14%	28%

The operating margin demonstrates the profitability of operating assets. Our operating margin excluding all sales of 21.8% is above our target of 20.4% for 2021/22. It's lower than 2020/21 due to an increase in maintenance, management and service charge costs, partly offset by increased income. Social housing operating margin also decreased. Our operating margin overall for 2020/21 was above the median level for our peer group and social housing operating margin was below the median.

Metric 7 - Return on Capital Employed	2021/22	2020/21	G15 2020/21 Highest	G15 2020/21 Lowest	G15 2020/21 Median
Return on Capital Employed (ROCE)	2.77%	3.29%	4.1%	0.1%	2.6%

ROCE is a measure of the efficient investment of our resources. Annual operating surplus is divided by capital employed (total assets minus current liabilities). The majority of our housing stock is held on balance sheet at historical cost. Our ROCE decreased, operating surplus decreased by £7m and capital employed increased by £341m. Compared to our peers we were well above the median in 2020/21.

Regulator of Social Housing – Financial Forecast Return (FFR) value for money metrics

The metrics set out below are calculated from our FFR submission. Our forecast performance for financial year 2022/23 and 2024/25 (final year of our current strategic plan) are as follows:

Metric 1 – Reinvestment %	2022/23	2024/25
Reinvestment	7.4%	8.8%

We plan to invest £261 million in new and existing homes in 2022/23 and £358m in 2024/25.

Metric 2 – New supply	2022/23	2024/25
A. New supply delivered % (social housing)	2.7%	2.4%
B. New supply delivered % (non-social housing)	0.4%	0%

We're forecasting to develop 1,173 new homes in 2022/23 and 978 in 2024/25.

Metric 3 – Gearing	2022/23	2024/25
Gearing	48%	49%

Gearing is forecast to increase as our net debt increases to fund our development programme. We remain within our lender covenants and risk appetite set by Board.

Metric 4 – EBITDA MRI INTEREST COVER %	2022/23	2024/25
EBITDA-MRI %	124%	172%

Our interest cover improves by 2024/25 due to a higher surplus being achieved.

Metric 5 –Headline cost per unit (CPU)	2022/23	2024/25
Social housing CPU	£5,722	£5,585

Our cost per unit is forecast to decrease by 2024/25 compared to 2022/23 due to economies of scale generated by managing more properties.

Metric 6 – Operating margin	2022/23	2024/25
Operating margin – overall	19%	27%
Operating margin – social housing	22%	30%

By 2024/25 we forecast our operating margin both overall and for social housing lettings will have improved as we realise efficiencies and through growth generate economies of scale.

Metric 7 - Return on Capital Employed	2022/23	2024/25
Return on Capital Employed (ROCE)	2.7%	3.1%

Our ROCE is forecast to increase reflecting increasing investment in new homes generating improved surpluses.

Other benchmarking

	2021/22 Actual	2021/22 Target	2020/21 Actual	Highest	G15 2020/21 Lowest	Median
Rent collected (GN and HOPS)	99%	100%	100.2%	100.6%	98.0%	99.6%
Collection rate was below our 100% target. 2020/21 performance was above the median in our peer group.						
Overall customer satisfaction	88.8%	93%	88.7%	89%	0%	71%
Customer satisfaction is lower than target but should remain in the upper quartile compared to our peers. We had the best performance in G15 in 2021/22. Main feedback from dissatisfied residents is not doing repairs quickly enough and communication on handling of ASB cases. To improve performance we've increased responsive repairs capacity and held co-creation ASB service review workshops with residents and other key stakeholders.						
Overheads as a % of turnover	9.3%	9.0%	8.9%	21.7%	5.0%	15.4%
Turnover (adjusted for sales and Direct Labour Organisation (DLO)) increased by £5.7m million while overheads increased by £1.7m. £1.3m of the increase related to higher Technology costs including increased work around automation and our on-line offer.						
	£2.2m	£1.9m	£1.9m	£13.7m	£0.3m	£4.0m
We received revenue grant funding of £1.4m and invested £2.2 million in communities and projects. Compared to our peers we were £1.1m below the median in terms of investment made. We exceeded our target of 1,000 into jobs and training by 379.						
Occupancy	99.2%	99.0%	99.4%	100%	97.0%	98.9%
Our occupancy rate was above our target and only marginally below 2020/21. We were better than median in our peer group.						
Ratio of responsive to planned maintenance	0.4	0.4	0.4	1.51	0.37	0.72
Our ratio of responsive to planned repairs was the same as in 2020/21. 2020/21 performance was below the median in our peer group.						

Understanding our social housing cost per unit

Headline CPU has increased by £285.

Optivo Social Housing CPU (£)	2021/22	2010/21	Change
No of homes	41,110	40,700	410
Headline CPU	**4,663**	**4,378**	**285**
Management	1,167	1,112	55
Service charge costs	824	762	62
Maintenance	2,017	1,861	156
Major repairs	619	601	18
Other	36	42	6

We analyse our CPU into further detail and share these results with staff during the year. This helps us develop a better understanding of our costs and identify opportunities for efficiency savings. In each of the key scorecard measures, we've separated direct costs from allocated corporate costs.

Management

Total management cost per unit increased by £55 (5%).

Management CPU (£)	2021/22	2020/21	Change
Housing management	267	256	11
Lettings	57	50	7
Income collection	102	97	5
Contact centre	64	61	3
Anti-social behaviour	23	23	-
Other	135	121	14
Corporate	519	504	15
Total	**1,167**	**1,112**	**55**

Housing management costs increased by £11 per unit. Higher energy costs in keyworker properties account for £6 of the increase; keyworker residents do not pay a separate service charge but a monthly rent which covers all costs. Legal costs also increased by £1 per unit as we dealt with some more complex cases. The balance of the increase includes increases for cost of living rises and neighbourhood improvement projects.

Lettings costs increased by £7 per unit. The costs of temporary decants, including those for fire safety works, are £5 higher than last year. Staff costs have increased by £2 per unit but the additional investment in this team helped to significantly reduce void loss.

Income collection costs increased by £5 per unit. We've reprocured our text messaging services which has reduced costs by £3 per unit. Payment card costs increased by £1 but we expect these to fall next year through savings from having a new provider. Court fees increased by £1 per unit; Covid-19 restrictions reduced court cases last year. The remaining increase relates to higher staff costs including cost of living changes.

Contact centre costs increased mainly due to the higher cost of agency over establishment staff; higher insurance premiums have increased other housing management costs.

Service charge costs

Service charge cost per unit increased by £62.

Fire safety costs have reduced by £24. 2020/21 cost includes £29 of leaseholder fire safety remediation costs. As we've agreed not to pass on fire safety remediation work relating to historic defects, all 2021/22 costs are included under maintenance.

Other service charge costs have increased by £86. Managing agent costs have increased by £49; we've launched a third party property management project which includes an objective to drive better value for money for our residents where a managing agent provides services. Equipment repair costs increased by £18 per unit; demand for repairs increased during the pandemic but have not reduced as restriction have lifted.

Repair costs have been pushed up by shortages of labour and materials. Fire safety concerns have raised insurance premiums increasing leaseholder building insurance costs by £11 per unit. The energy crisis has increased utility costs by £5 per unit.

Service costs CPU (£)	2021/22	2020/21	Change
Fire safety	97	121	24
Other	727	641	86
Total	**824**	**762**	**62**

Maintenance

Maintenance cost per unit increased by £156.

Driven by high demand and challenges in both the labour and material markets, responsive & void cost per unit increased by £59. Cost increases are higher in our out-sourced repairs service than our internal direct labour service, so we'll continue to look for further opportunities to bring services in-house.

Planned fire safety spend increased by £28 as we continue work to ensure our buildings meet the required fire safety standards.

Other planned work increased by £40. This year we had a larger cyclical painting programme and spent more on retrofitting as we work towards our sustainability targets.

Maintenance CPU (£)	2021/22	2020/21	Change
Responsive and voids	603	544	59
Planned - fire	370	342	28
Planned - other	617	577	40
Staff	251	240	11
Corporate	176	158	18
Total	**2,017**	**1,861**	**156**

Major Repairs

A larger major works investment programme increased major works cost per unit by £18.

Major Repairs CPU (£)	2021/22	2020/21	Change
Direct spend	488	473	15
Staff	77	77	-
Corporate	54	51	3
Total	**619**	**601**	**18**

Corporate costs

Total corporate costs increased by £36.

Corporate costs are allocated to each of the services as part of the cost per unit calculation. We review these before allocation so we understand changes in our corporate costs.

Corporate CPU (£)	2021/22	2020/21	Change
Technology	221	193	28
Facilities	111	118	7
People Team	93	80	13
Financial Services	72	71	1
Governance	41	40	1
Strategy, Business Intelligence and Communications	45	37	8
Treasury, Risk and Insurance	50	60	10
Business change and Transformation	16	-	16
Procurement	18	17	1
Executive and Legal	82	97	15
Total	**749**	**713**	**36**

Technology costs increased by £28; although running costs remained broadly similar, we spent more on service transformation to support further automation and ensure we're set-up for hybrid working.

Facilities costs reduced again this year as we streamlined our office portfolio and continued to see the benefits of hybrid working.

Staff restructuring has changed the allocation of costs between Strategy, Business Intelligence & Communications and Treasury, Risk & Insurance. Overall costs have reduced by £2 per unit. Business, Change and Transformation functions were previously incorporated across a number of other departments but is now a separate department dedicated to focussing on automation, efficiency and business change.

Executive and legal cost per unit have reduced by £15. This includes some savings on consultancy and professional fees but is mainly due to a significant reduction in the holiday pay accrual.

Conclusioions

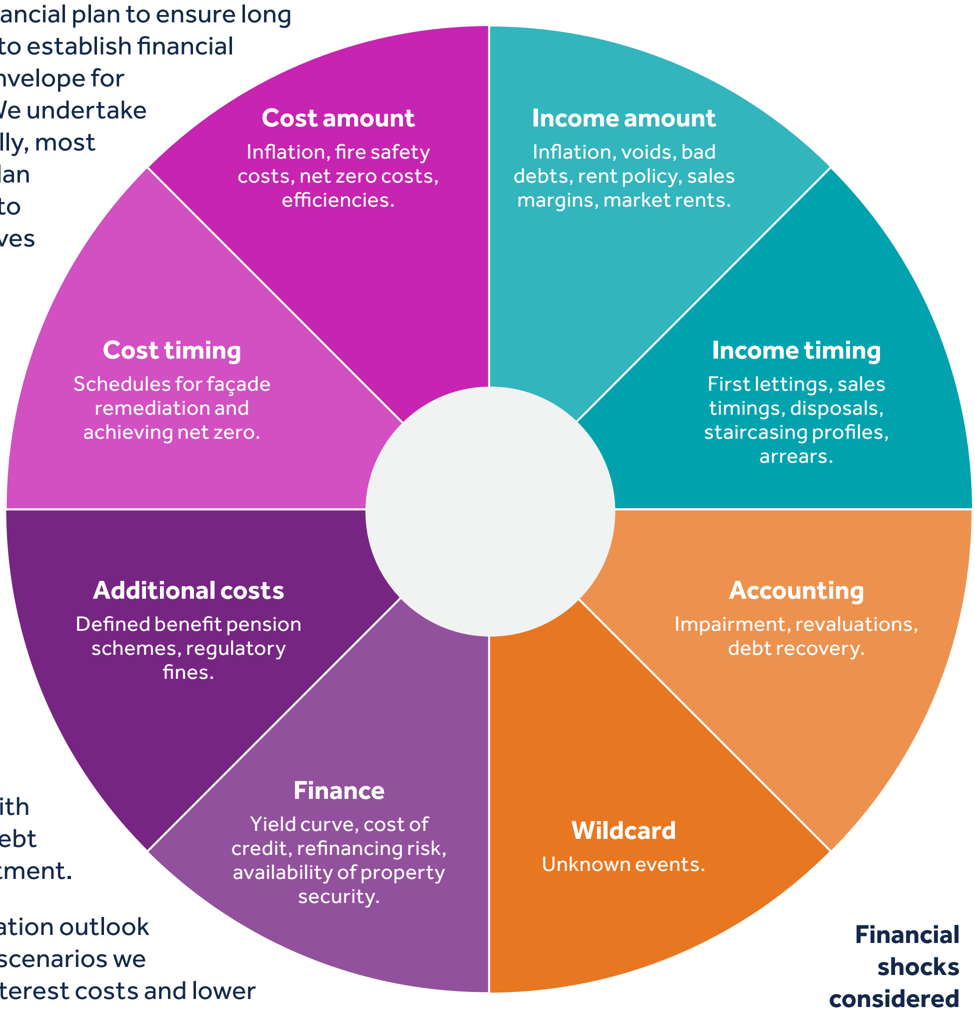
Monitoring our cost per unit provides a consistent and robust measure of efficiency. We use the headline cost per unit to benchmark our performance against the wider sector and our detailed breakdown to compare annual performance and inform future decision making.

The proposed merger with Southern Housing Group and the expansion of the housing management services we provide to other organisations, will help us drive efficiencies in the current challenging environment and to get better value from our fixed overheads. We will continue to use our cost per unit analysis to measure our progress.

Financial Planning and Treasury Management

Board uses the long term financial plan to ensure long term covenant compliance, to establish financial risk appetite and to set an envelope for investment in new homes. We undertake a remodelling at least annually, most recently in April 2022. The plan reflects resources required to deliver our strategic objectives including the investment needed into technology, fire safety and decarbonisation.

We've undertaken a wide range of stress testing on the financial plan and considered the mitigating actions the board would be able to take in an adverse scenario. This stress testing shows the business to be robust even in extreme downside scenarios. Our viability can be maintained and social housing assets not put at undue risk even with our continuing strategy of debt funded social housing investment.



Financial shocks considered

The emerging change in inflation outlook and other possible risks are scenarios we stress test, including high interest costs and lower rent settlements from the government. Possible wildcard events we've explored include: a rent strike; civil unrest; more rapid move to net zero; large scale flooding; widespread contractor failures; large scale staff absences; loss of insurance cover and a cyber-attack.

Our Treasury Management Policy Statement (TMPS) sets out the principles, policies, procedures and objectives of our treasury management activities. We review it annually to ensure we apply best practice.

Significant treasury risks include ensuring the group has sufficient liquidity to fund its operations and development pipeline, interest rate risks and ensuring that all loan covenants are met. Our liquidity policy requires us to have sufficient funds in place so as not to rely on sales.

Facilities and Funding

Committed facilities are mainly secured against our social housing assets (£115 million of funding is unsecured). These assets are independently valued to ensure we meet lenders' asset cover requirements. At 31 March 2022, 31,700 homes were charged as security to lenders (including derivative counterparties). We also held 13,290 unencumbered properties of which 10,310 are chargeable.

We sold £100 million 2035 retained bonds in August 2021. In March 2022 we tapped our 2043 bond to issue £150 million. £100 million was already sold under a deferred agreement, settled for £151 million cash. This covered the £150 million repayment of the Bank of England's Covid Corporate Financing Facility (CCFF). We retained £50 million for future sale.

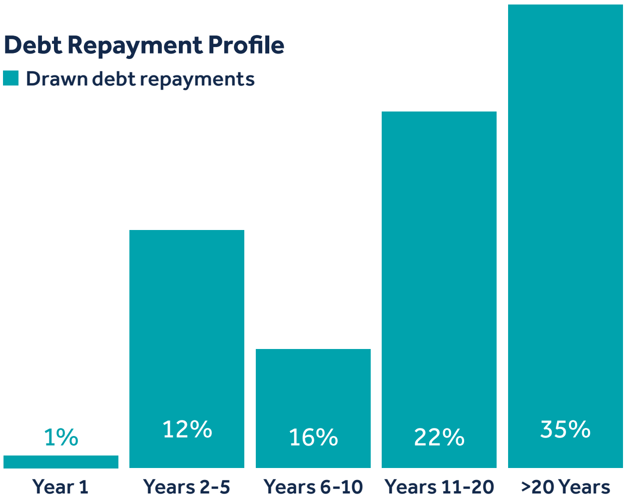
At 31 March 2022, borrowings for the Group totalled £1.6 billion from available facilities of £2.1 billion. All undrawn facilities are short term revolving credit facilities and are fully secured and available to be drawn. We maintain diversification in funding sources with 52% coming from nine banks and 48% from capital markets, Government backed schemes, syndicated funding and Local Authority funding. The Group has limited near-term re-financing risk with 79% of current debt due for repayment in over five years.

The Group manages its exposure to fluctuations in interest rates with a view to achieving an acceptable level of certainty in net interest costs. We target the range of 85% to 100% of net debt to be on a fixed rate basis, with a weighted average duration of 11 to 17 years. Net debt is fixed either on an embedded basis, by drawing fixed-rate loans under the terms of our loan documentation or through standalone interest rate swaps transacted under International Swaps and Derivatives Association (ISDA) agreements. As at 31 March 2022 93% of net debt was fixed and the weighted average duration was 13.5 years. The weighted average cost of debt was 3.57% (March 2021: 3.64%).

We manage our mark to market (MTM) exposure risk using thresholds built into our ISDA agreements below which margin calls do not arise and providing property security as collateral. At 31 March 2022, MTM exposure (or fair value) equalled £21 million (March 2021: £136 million).

In March 2022 we restructured or broke a number of swaps. This reduced our exposure and will create capacity in years to come. Thresholds and property security cover the full market exposure. A 1% fall in rates would increase our MTM exposure to £44 million. Our policy of over collateralisation with property security means this would not trigger a cash margin call.

Debt Repayment Profile



Liquidity

We maintain sufficient liquidity to meet our liabilities and expenditure requirements. Our liquidity tests are as follows:

1. Cash of £50 million to be available at all times
2. A minimum of £400 million cash and undrawn committed loan facilities
3. The sum of cash, loan facilities and anticipated core business surplus for the next two years sufficient to cover all contractually committed future development spend and the next year's scheduled loan repayments.

Cash and short term balances are placed in money market funds, short-term bank deposits and in interest bearing accounts with our clearing banks.

Compliance with loan covenants

The treasury team reports compliance with loan covenants quarterly to the Treasury Committee. The group complied with all financial covenants for the year ended 31 March 2022 and expects to do so in the foreseeable future.

Risk Management

Everything we do involves a certain amount of risk. We plan carefully, but there are always things that can go wrong or do not turn out as we would want them to. Risk management is the collection of actions we carry out to identify, understand and manage risks to the achievement of our objectives, it's not about avoiding or eliminating risk. Rather it is about understanding what the risks are, what can cause those risks to occur, their likely impact, and how we can manage or mitigate this. When we understand the risks we face we can make properly informed decisions and find efficiencies through avoiding surprises.

Principal risks and uncertainties

Our goal is for risk management to be:

- **Embedded in our culture**, a positive organisational culture in which people embrace their roles and responsibilities
- **An integral part of all organisational processes**, and not a stand-alone activity performed in isolation
- **Explicitly addressing uncertainty**, identifying the nature of uncertainty and how we can address it
- **Based on the best available information**, drawing on data, expert judgment and stakeholder feedback to inform evidence-based decisions
- **Part of decision making**, helping staff to make informed choices, prioritise activities and identify the most effective and efficient course of action
- **Dynamic and responsive to change**, responding swiftly to events, changes in the environmental context and the results of monitoring and reviewing activities
- **Applied consistently** across our business, to facilitate comparisons and prioritisation
- **Applied with clarity**, clear delineation of roles and responsibilities for regular review and challenge of risk management.

We define strategic risks as 'threats' which if they occur could materially impact the long term viability of the business, or which could cause significant derailment, such that strategic objectives are not delivered". We report to Board where significant derailment could occur within 24 months. Typically these are affected by competition, sector changes, capital availability, political environment, legal and regulatory changes and reputation issues. These tend to be inter-departmental in nature and reflect cross-cutting themes. Strategic Risks are owned by the Executive Team and reported to each regular Board meeting and to Audit & Risk Committee.

Operational risks

Operational risks are significant in the context of our business. These are owned by Leadership Team (LT) and reviewed at least quarterly. Structured in this way, we ensure risk ownership is clear and the whole operational business is risk assessed. Some Risk Registers are subject to review by committees. The remainder will be scrutinised by the Risk Panel on a rotational basis. Risks are "escalated" from Operational Risk Registers to the Strategic Risk Register through the Risk Panel reviewing high-scored departmental risks and advising the Executive Team.

Risk appetite

We recognise it may not be possible to deliver our strategic objectives unless the business takes risks. We've a responsibility to strike the right balance between a very passive approach (taking little or no risk) and a very active approach (taking too much risk). Our Statement of Risk Appetite is an expression of how much risk we're prepared to take. It's set by Board and reviewed annually by Audit & Risk Committee. Risk appetite varies between different business areas, can change over time and is dependent on the opportunities or benefits presented through the activity weighed against the risk exposure. There is therefore no single definition of risk appetite which applies across the business. We consider risk appetite for each strategic risk.

Strategic risks at May 2022

Our risk register supports the achievement of our strategic objectives. Below are the strategic risks aligned against the objectives in our 2020-25 strategic plan.

↔ / ↓ / ↑ indicates change in likelihood of risk occurring compared to 12 months ago

Risk	Comment and risk mitigations
Provide great customer experience	
Significant cyber security breach resulting in loss of IT systems and / or loss of data. (Risk changed in 2022)	Loss of IT would be extremely detrimental to our ability to provide effective services for our residents. Disaster recovery plans are tested monthly and we have ongoing monitoring of our network for exceptional / unusual activity to keep us safe. Assurance is slightly strengthened with a third line of defence review reducing the impact of the risk.
Invest in the quality, safety and environmental sustainability of homes	
Failure to comply with health & safety legislation. ↔	We operate in a heavily regulated sector which helps protect staff, residents and other third parties. The consequences of failure to comply would be significant for them and our business. We produce regular health and safety scorecard reporting. We use third parties to validate a range of asset compliance activities including sample checking high risk fire risk assessments and related actions. Our dedicated asset compliance team complete routine data validation and carry out spot checks to provide a further layer of assurance.

Risk	Comment and risk mitigations
Be a leading provider of high-quality affordable homes	
Failure to deliver strategic partnership programme and / or corporate development goal. (Risk changed in 2022)	Our ability to deliver the target number of homes ultimately will be driven by our capacity which we measure through the financial plan and stress testing. We ensure that any new scheme is fully backed by funding before commitment. Effective programme monitoring ensures we stay within capacity. Board approved a number of triggers to ensure we manage the impact of rising costs.
Fail to support funding needs of the business and achieve covenant compliance. ↔	We update our financial plan and stress testing annually. Our financial parameters place limits on the risk built into the plan and so the scale and tenure mix of the development programme. They express the Board's risk appetite and ensure actual and projected financial risks are within our capacity for financial risk. We've limited exposure to risk of impairment, if house prices fall we may need to write down asset values. Insights from our stress testing drive decisions about when and what new development commitments we should make. We've strong financial controls and frequent reporting on treasury matters including, covenant compliance, mark to market exposure and liquidity.
Be an inclusive and diverse organisation	
Fail to recruit and retain key skills and experience. (Risk changed in 2022)	Our staff are one of our most important assets. Our culture programme provides guidance on our CORE values, behaviours and expectations. Regular pulse colleague surveys are carried out providing us with a wealth of data to identify actions to enable Optivo to continually improve as a great place to work and to gauge satisfaction. Having a strong union relationship and staff forum encourages a strong employee voice and gives colleagues a place to formally discuss and raise issues affecting them.

Risk	Comment and risk mitigations
Run an efficient business	
Failure to deliver value for money. ↔	It's essential we operate an effective, efficient business that delivers the right services to our residents. We'll continue to find more effective ways of working to deliver high quality services and resident satisfaction and to create capacity for new homes. Efficiency targets have been reset and approved by Board. Delivery is being driven through our transformation team.
Merger at risk due to funding needs not fulfille by market or access to capital markets restricted. (New risk in 2022)	This risk will be monitored as we progress through lender negotiations.
Business impacted by escalating consumer price inflation. (New risk in 2022)	Some buffer has been built in to the 2022/23 budget and we've stress tested the financial plan. We monitor through internal groups including Procurement Appraisal Group and escalate to Board / relevant Committees when necessary.
Fail to anticipate / respond appropriately to Government policy changes. ↔	Whilst a high risk to us, our focus is on influencing central and local Government on housing policy. Where changes are anticipated we feed them in to our financial planning process and stress test plans.
Significant breach in regulatory standards. ↔	Effective governance enables us to manage our business. Regular controls compliance testing is carried out by our Leadership Team and we report annually to Board on compliance with the Regulatory Standards.
Fail to deliver effective building safety remediation works programme. (Risk changed in 2022)	We're reliant on interim measures and currently timetables for full resolution are unclear. There are safety concerns while we wait for clarity from Government. There is also risk of legal disputes arising following Government announcements on where costs should be recovered from.

03

Leadership and Governance

Optivo is led by the Board which sets the strategy for the business. Our Executive Team is responsible for the day to day management. Residents work alongside us ensuring their voice is heard to help us drive performance and improve results.

The Board

The main responsibilities of our Board include:

- Setting our overall strategy and business plan
- Making sure our Executive Team is working effectively and has access to the resources it needs
- Ensuring any risks to the organisation are identified and controlled
- Monitoring our performance, service delivery and financial viability.

The Optivo Board at 3 August 2022 has ten members; nine independent Non-Executive Directors (NEDs), two are Optivo residents. Our Chief Executive also sits on the Board. The Board brings an independent view on all strategic issues either directly or through Committees with delegated authority. Board also reviews performance, resources and the control framework. Board and Committees are appraised annually, both individually and collectively.

Sir Peter Dixon
Chair

- Chair of Flint Housing Limited
- President of English Rural Housing
- Chair of Diabetes UK
- Former Chair of the Housing Corporation
- Former Vice Chair of the Broads Authority
- Former Chair UCL Hospitals NHS Foundation Trust.

Andy Burder

- Member of Customer Experience Committee
- Member of Crystal Palace Housing Association
- Financial Controller for a global private equity fund management company
- Chartered Accountant and Chartered Tax Advisor
- Optivo Resident.

Eugenie Turton CB
Vice Chair

- Member of Audit & Risk Committee
- Member of People, Governance & Remuneration Committee
- Member of Amicus Group Limited Board
- Member of the Advisory Council on the Disposal of Nuclear Waste
- Former Director General for Housing and Planning
- Former Non-Executive Director for Genesis then Notting Hill Genesis.

Chris Tinker
Chair of Growth Committee

- Chair of Optivo Homes Limited
- Chair of Lamborn Estates Limited
- Member of Treasury Committee
- Non-Executive Director of BBS Capital Limited, Cratus Communications and Bathurst Developments Limited
- Trustee at Yeldall Christian Centres, Kiriath Trust and The Greyfriars
- Former Interim CEO of Crest Nicholson, long term Chairman of Regeneration and Strategic Partnerships on the Crest Group Board
- Former Chair of the HBF Major Homebuilders sub-committee, Board Director of the Housing Forum, Director of the Enterprise M3 LEP and member of the Homes England Design and Sustainability Advisory Board.

Damien Régent
Chair of Audit & Risk Committee

- Member of Treasury Committee
- Non-Executive Director at Kingston Hospital NHS Foundation Trust
- Trustee at Crisis (homelessness charity)
- Independent Audit Committee member at Chartered Insurance Institute
- Non-Executive Director at Longhurst Housing Association
- Former Non-Executive Director on the board of two software businesses
- Former trustee at Médecins Sans Frontières UK (Doctors Without Borders UK) and at Reprieve, the human rights charity
- Financial analyst by background with significant experience in credit markets and financial institutions.

Geanna Bray
Chair of Customer Experience Committee

- Chair of Crystal Palace Housing Association Board
- Member of Growth Committee
- Over 20 years' experience working in the social housing sector.

Grace Alaneme

- Member of Growth Committee
- Trustee of Fresh Visions People Limited
- An experienced nurse with extensive knowledge of holistic care as well as health and social care
- Passionate about customer service and wellbeing
- Optivo resident.

Michelle Dovey
Chair of Treasury Committee

- Chair of Optivo Finance Plc Board
- Member of Crystal Palace Housing Association Board
- Member of Amicus Group Limited Board
- Experienced financial risk Management Executive
- Director of MJD Treasury Solutions Limited
- Former Chair of Board at Kairos Women Working Together.

Nick Stephenson

- Trustee of Fresh Visions Charity
- Member of Customer Experience Committee
- Member of People, Governance & Remuneration Committee
- Experienced economic development consultant
- Optivo resident.

Paul Hackett CBE
Chief Executive

- Member of Amicus Group Limited Board
- Member of Optivo Finance Plc Board
- Honorary Professor at the UCL Bartlett School of Sustainable Construction and a member of the Independent Advisory Board
- Fellow of the RICS, the Chartered Institute of Building, the Chartered Institute of Housing and an Academician of the Academy of Urbanism.

William Howard Cresswell
Chair of People, Governance & Remuneration Committee

- Chair of Middlesex First Limited Board
- Member of Amicus Group Limited Board
- Chair of Pensions Group
- Board member & Chair Designate of Havenbury Housing Partnership
- Former Senior Executive at Circle
- Former Interim Chief Executive of Hornsey Housing Trust
- Former Board member at Ascham Homes.

Committees

The following are the principal committees supporting the Optivo Board. All Committees are chaired by a Board member.

Customer Experience Committee

This committee champions the implementation and extension of Optivo's digital agenda. It supports the development of cutting edge customer facing strategies and the implementation of the technology strategy. The Committee has four members. Two are Board members (one of whom is a resident), the Chair of the Resident Strategy Group, and one independent committee member.

Audit & Risk Committee

The Audit & Risk Committee has five members; two are Board members and three are independent committee members. Audit and Risk Committee meets regularly with senior managers and external and internal auditors to scrutinise audit findings and the effectiveness of the internal control framework. The Committee reviews the financial statements, including the applicability of policies and areas of judgement. Audit and Risk Committee receives control reports and recommendations arising from internal and external audits. The committee meets privately with the internal and external auditors at least once a year.

People, Governance & Remuneration Committee

The People, Governance & Remuneration Committee has three members; two are Board members and one is an independent committee member. Committee's role is to support the Board to achieve strategic objectives around people issues including employment, human resources and organisational development. The Committee also oversees governance, remuneration and equality and diversity.

Growth Committee

The Growth Committee has four members, three are Board members (one of whom is a resident), and one independent committee member. This Committee supports delivery of our development programme and commercial strategy. The Committee recommends the development strategy to the Board, monitors the development programme and advises the Board on development issues and new initiatives.

Treasury Committee

The Treasury Committee has five members, four are Board members and one is an independent committee member. The Committee's role is to oversee treasury activity and recommend the treasury strategy and plans to the Board.

Pensions Group

The group's role is to oversee the pensions strategy. This group is chaired by a Board member and currently has three members; one Board member and two independent committee members.

Chairs Group

The Chair's Group is formed of the Chairs of the Board and Committees. The Group's role is to consider specific issues requiring consideration/attention ahead of a Board meeting. The Group does not have any delegated powers.

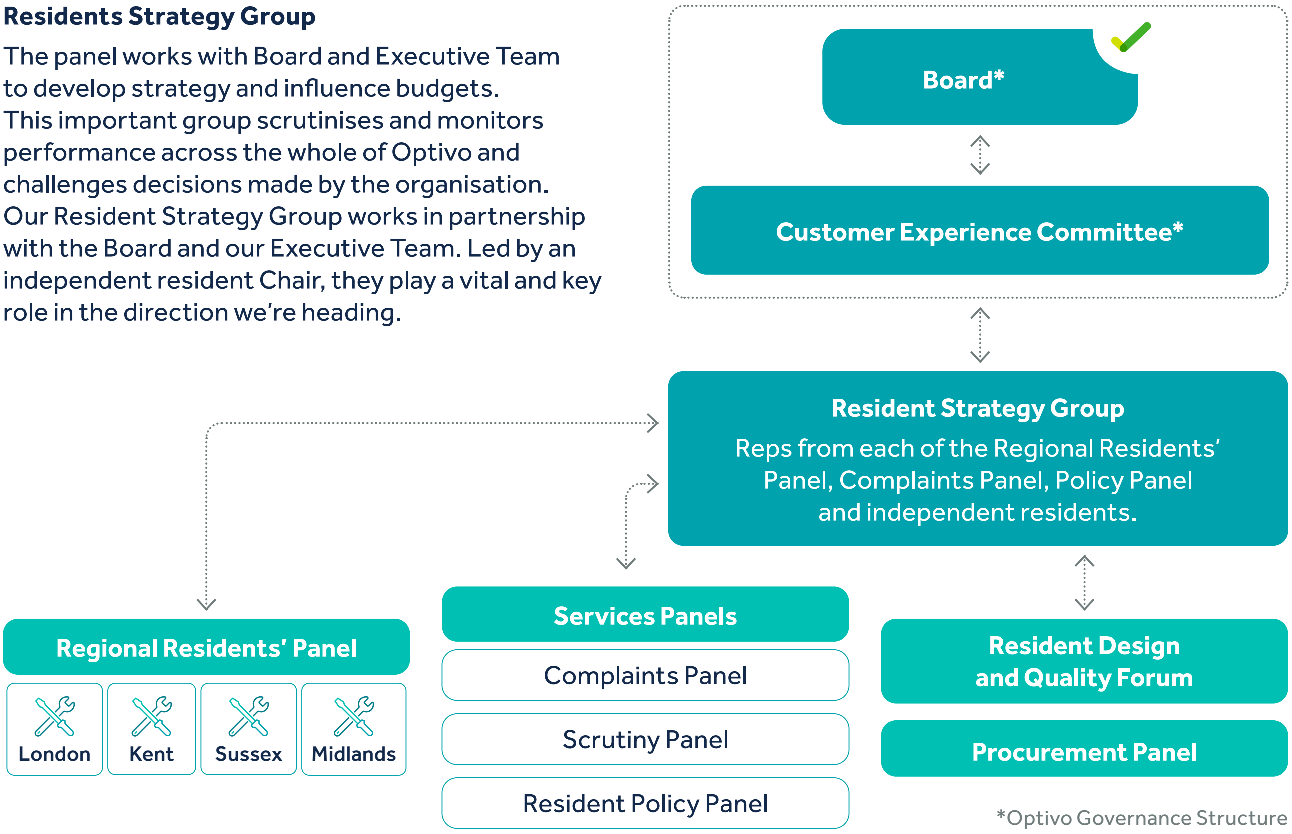
Residents

The residents in our governance structure help influence decisions and scrutinise our services. Residents and staff work together to identify what's working well and where we can make improvements. The structure also has links with our Board, ensuring our residents' voices are heard throughout the organisation.

The diagram overleaf explains how our wide range of Panels and Groups work together to help influence decisions at Board level.

Residents Strategy Group

The panel works with Board and Executive Team to develop strategy and influence budgets. This important group scrutinises and monitors performance across the whole of Optivo and challenges decisions made by the organisation. Our Resident Strategy Group works in partnership with the Board and our Executive Team. Led by an independent resident Chair, they play a vital and key role in the direction we're heading.



*Optivo Governance Structure

Regional Residents' Panels

Our local panels from our four regions – London, Kent, Sussex and the Midlands – look at decisions made by the Resident Strategy Group.

These groups are our critical friend. They consider the impact of our decisions at local level, while building and maintaining links with local communities.

Complaints Panel monitor and scrutinise complaints performance across the whole of Optivo. They sit on complaints review hearings. They're responsible for monitoring and scrutinising complaints performance, value for money and service delivery. The panel works with our staff to make recommendations on how the complaints service could be improved and helps decide serious complaints. It isn't involved in day-to-day resident complaints. Members also have the opportunity to consult on key policies and procedures impacting on the delivery of the complaints service

Scrutiny Panel is made up of residents from across our four regions. Scrutiny Panel members are not able to join our other resident panels. This is to ensure the panel takes an independent view of Optivo's services. Their role is to carry out in-depth scrutiny reviews of our service areas.

They undertake an annual project, commissioned by the Resident Strategy Group, to scrutinise a specific service area. A report of findings and recommendations is then presented to the Resident Strategy Group and Executive Team.

Resident Ambassadors make a real difference, not only to those living in their local communities, but also to the lives of all Optivo residents. By giving up their time to support our resident governance activities, our Ambassadors carry out key duties such as:

- Acting as a sounding board for senior staff and residents' governance members, providing advice and expertise as required
- Being involved in staff and resident training
- Contributing to co-creation groups where they have experience of the issues
- Supporting and mentoring other residents involved in the wider resident governance structure
- Representing the organisation at conferences or events
- Promoting the organisation through the great work they do.

Residents and Co-Creation

Co-creation involves bringing people who use services together with people delivering services, to create new ways of working or to improve existing processes. Residents work in genuine partnership with colleagues to shape policies, re-design services and develop new projects. This goes beyond engagement or involvement, with residents and colleagues working as one team to tackle the issues that matter most. Our work on co-creation builds on our proud history of resident involvement. We're creating flexible and dynamic ways for residents to engage with us through new digital tools. Residents are recruited based on their lived experience of the topic. Involvement is fast and flexible, where we need to gather feedback and views to help shape service delivery. Involvement is less formal and more accessible for new residents or those who don't have much free time to commit.

We build houses, but residents make them a home. As a matter of principle, we believe it's right that residents are able to shape major decisions that affect their home and their community. Affordable housing residents aren't able to easily swap landlords if services aren't up to scratch. So it's vital residents feel empowered to tell us where we're getting things wrong and can co-design solutions to put things right. Involving residents ensures we deliver services in a way that they really value. By understanding what residents really want and focusing on these priorities, we can target our resources and secure better value for money. We want our services to continually improve to meet evolving resident expectations and changing needs. We can only do this effectively by working together.

Executive Team

The Board, named on pages 60 to 61, delegates day to day management to the Executive Team (ET). ET are supported by the Leadership Team (LT) in developing and co-ordinating our culture and values.

Paul Hackett
Chief Executive

Paul has worked in the housing association sector since 1989.

Richard White
Executive Director of Development and Sales

Richard has extensive experience in land led development and delivering high quality design and place making. With over 32 years of experience in residential development, Richard started his housing career in local Government. He then progressed into senior land, planning and technical roles with FTSE 100 Housebuilders. He moved to the housing association sector in January 2017.

Jane Porter
Chief Operating Officer

Jane has worked in housing for over 30 years and has held senior executive roles in both asset and housing management, development, sales and home ownership. She is on the Regulator for Social Housing's Tenant Satisfaction Measures Sounding Board and in terms of fire safety, the MHCLG Social Sector (Building Safety) Engagement Best Practice Group and the Home Office Means of Escape Technical Steering Group. Jane is passionate about delivering excellent customer services. She has delivered sector leading performance through the use of real time data, customer segmentation and insight. She has driven continuous improvement and efficiencies through her vision and enthusiasm for technology solutions including predictive analytics, Robotic Process Automation, Artificial Intelligence, Internet of Things and bots.

Sarah Smith
Chief Financial Officer

Sarah has worked with and in the housing association sector since 1988. She is a Chartered Accountant beginning her career with BDO. Before joining Optivo, Sarah spent eight years as Director of Financial Services at London & Quadrant Housing Trust. Sarah is a member of the National Housing Federation's Finance & Policy Advisory Group. She sits on the Institute of Chartered Accountants in England and Wales (ICAEW) social housing sub-committee. She is a Trustee of Dolphin Square Charitable Trust and also a member of their Audit Committee. She is a Board member and Chair of Audit Committee at Reall and was appointed to the Sustainability for Housing Board in 2020.

Joanne Stewart
Executive Director for People

Joanne is a trained Executive Coach, Fellow of the Chartered Institute of Personnel and Development and holds a Masters in Strategic Human Resources Management. Joanne has held a range of senior leadership roles in a variety of sectors including geographically dispersed, international and matrix organisations where she led a series of complex mergers and acquisitions. Joanne has extensive experience of developing and implementing people strategy aligned to organisational priorities. Joanne is focussed on championing inclusive and diverse environments where all feel they belong and can develop and thrive.

Health, safety and welfare of employees at work

Our current Health and Safety Strategy sets out how we'll look to continuously improve our health and safety. We have a well-developed Health and Safety Management System, underpinned by our Health and Safety Policy statement. The Policy contains a comprehensive organisational structure and framework, sets out responsibilities of managers and staff, and summarises the arrangements for putting the Policy into practice. The Chief Operating Officer acts as the Optivo 'Health and Safety Champion' and Executive lead, chairing our Health and Safety Group (HSG), and reporting to the Board on performance at least quarterly. We've been awarded Gold Standard by the Royal Society for the Prevention of Accidents (RoSPA) for the second consecutive year.

Our Director of Health and Safety is responsible for the strategic management and implementation of the Health and Safety Management System, supported by a competent in-house Health and Safety Team. We carry out regular inspections of health and safety standards across our portfolio, and closely monitor performance relating to key compliance areas which is scrutinised at Operational Performance Team, HSG and Board meetings. We managed the challenges of the Covid-19 pandemic through our strategic Executive Team Covid Group (ETCG) and the operational Covid Action Group (CAG). At every stage we ensured compliance with changing Government guidance, whilst prioritising the health and safety of our staff, residents and partners.

Environmental policy

We strive to adopt the highest available environmental standards in all areas of our operations and investment decisions. We also expect similar environmental standards from our partners. Our environmental performance group monitors delivery of our energy and environment strategy.

We're committed to improving the energy efficiency of our homes which, in turn helps residents to reduce their fuel bills and to live more comfortably. We also help residents to manage their energy bills by delivering energy advice. By reducing emissions from our offices and business travel, we're reducing our environmental impact and improving value for money. We've achieved a Sustainable Homes Index for Tomorrow (SHIFT) Gold for the fourth year running.

Compliance with Governance and Financial Viability Standard

The Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (the Standard) provides a framework to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk.

The Standard requires registered providers to assess their compliance with the Standard at least annually. Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH:

- A clear understanding of asset values, related security and potential losses. Boards need to know exactly what information will be required in the event of distress. They should ensure an up to date and accurate record of assets and liabilities is maintained, particularly those liabilities that may have recourse to social housing assets
- Evidence of application of the principles
- The assurance they receive on the quality of records.

The Audit & Risk Committee reviewed the annual assurance report from the CEO on 12 July 2022. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board on 27 July 2022 which covers the compliance from 1 April 2021 until the signing on 3 August 2022.

For 2021/22 we report full compliance with the regulatory standards including General Data Protection Regulations (GDPR). For 2020/21 we reported substantial compliance with GDPR due to our ongoing work with data minimisation. The completion of this project, and the ongoing assurance provided by the Risk & Assurance team enables us to report full compliance for 2021/22.

The Board adopted the National Housing Federation 2020 Code of Governance from 1 April 2021. Optivo complies fully with this Code as reported to Board on the 11 May 2022.

Effects of material estimates and judgements upon performance

The following are the material judgements and estimates affecting performance.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue and allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total associated development administration costs capitalised in the year was £3.8 million.

Useful lives of depreciable assets

We set out the expected useful lives of our assets in note 1. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and ICT equipment, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property which may reduce the economic life of the property. Our policies are well developed. Accumulated depreciation at 31 March 2022 was £516 million, with the total charge in year of £43 million.

Defined benefit pension scheme obligations

At 31 March 2022 we had five defined benefit pension schemes, all closed to new members. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. We draw advice from scheme actuaries and our retained advisors. Variations in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses (as analysed in note 36). The net liability at 31 March 2022 was £23 million.

Impairment

Management assesses housing properties for indicators of impairment at each balance sheet date. Where indicators exist 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. Judgements in assessing the level of cash generating units and the recoverable amounts could lead to increases or decreases in the impairment provision. A potential 10% reduction in sales values resulted in us making an impairment provision of £1.1 million at March 2021. We revised this provision based on current sales rates being achieved and level of interest at new schemes and reduced the provision to £0.7m

Fair value

Investment properties and financial instruments are held at fair value, differing valuation approaches may have an impact on the surplus reported. We have explained our approach to valuation in the related accounting policy and note, taking into account the uncertainties Covid-19 has presented.

Bad debt provision

We make a provision for the likelihood of debtors failing to pay. Our assumptions bandings are based on the type of debt (including customer analysis) and length of time the debt remains unpaid.

Fire remediation works

We've determined the costs we incur will not meet the recognition criteria set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). The costs incurred are charged as expenditure in the Statement of Comprehensive Income.

Going concern

After reviewing Optivo's budget and cashflow forecasts to August 2023, the Board have a reasonable expectation Optivo has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

In making this assessment the Board have considered the potential impacts of the war in Ukraine on the cashflows of the Association over the next 12-month period. Whilst the potential impact of the Ukraine war presents current uncertainty, having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. The Board have also concluded that the Covid-19 pandemic no longer presents uncertainty. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

Assessment of the effectiveness of internal controls

The Board is the ultimate governing body and is responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives will be met. 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. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk.

The Board delegates the ongoing review of controls to Audit and Risk Committee and receives annual reports from the Chief Executive and the Audit and Risk Committee. Day to day management of the business is the responsibility of the Executive Team.

Scope of Assurance

The Board understands our internal controls system is designed to manage rather than eliminate all risks. Our procedures can only provide the Board with reasonable rather than absolute assurance against material misstatement, errors, losses or fraud.

The Board's Review of Effectiveness

The Board considered the Chief Executive's report on Internal Controls and the Annual Report from Audit and Risk Committee for the year to 31 March 2022 and up to the date of signing these accounts. In order to fulfil their responsibility the Executive Team has established an assurance framework supported by clear delegated authorities and operating procedures.

We use our documented assurance framework to demonstrate to the Board and Audit & Risk Committee a robust process of reporting on internal control. This is supported by the annual self-assessment review and sign off by Executive Team and Leadership Team which evidences compliance with the assurance framework. The Internal Audit department provides an independent assessment on the robustness and effectiveness of the internal controls across the organisation. This team achieves this through a programme of reviews which are approved by and reported to the Audit & Risk Committee.

The Association also uses the services of independent third party auditors to review controls and processes where the nature of the review requires expertise not available in-house. These systems have operated throughout the financial year and up to the date of signing these accounts. The Board monitored and considered outcomes arising as a consequence of the risk management process. They also received reports from officers on the associated control environment. The Board confirms the risk management process was in place in the year and up to the date of the annual report, and is regularly reviewed.

The Board confirms we had no breakdown in internal control resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

The Board and Executive Officers

The Board and Executive Officers of the subsidiaries are shown in those entities' financial statements.

Each Optivo Board member holds one fully paid £1 share in Optivo. The Executive Officers hold no interest in Optivo's share capital. They do not have the legal status of directors (apart from the Chief Executive), but act as executives within the authority delegated by the Board. We have directors' and officers' liability insurance for the Board, Executive Officers and staff.

Statement of the Board's responsibilities

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 law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 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 group and association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group and Association'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 and Association's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Anti-slavery statement

We confirm, so far as we are aware, we had no acts of modern day slavery within our organisation at 31 March 2022. We recognise we need to be vigilant and committed to driving out potential acts of modern day slavery from our supply chains. We've responsibility under the Modern Slavery Act 2015 to ensure transparency in the provision of all our goods and services. As part of our due diligence processes to prevent slavery and human trafficking, our:

- Supplier set-up process requires suppliers to outline the controls they have in place. Imported products from sources outside the UK and EU are potentially more at risk of slavery/human trafficking issues
- Dedicated People team who have created robust and inclusive selection, recruitment and induction processes
- Account Managers and Contracts Managers continually monitor the level of management control required.

People team report on this annually to our Executive Team.

We've briefed Optivo staff and contractors on how to recognise the signs and symptoms of Modern Slavery as part of our work around Safeguarding. Our full statement has been approved by the Board and is available on our website.

Each Director has confirmed in fulfilling their duties as a Director they have taken the steps they ought to have taken to make themselves aware of any information relevant to the audit and the auditors are aware of that information. So far as they are aware, there is no relevant audit information which they haven't made the auditors aware of.

Auditors

On recommendation from the Board, a resolution to appoint BDO LLP as auditors of Optivo will be proposed at the Annual General Meeting on 28 September 2022.

By order of the Board

Sir Peter Dixon
Chair of Optivo Board
3 August 2022

Approval

This Report of the Board and Strategic Report were approved by order of the Optivo Board on 27 July 2022 and authorised for issue and signed on 3 August 2022.

Alison Wignall
Optivo Company Secretary
3 August 2022

04 Financial Statements

Independent Auditor's Report to the Members of Optivo

Opinion on the financial statements
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 2022 and of the Group's and the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 2022.

We have audited the financial statements of Optivo ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2022, which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position (balance sheet), the consolidated and Association statement of changes in reserves, the consolidated 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk committee.

Independence
Following the recommendation of the Audit and Risk Committee, we were re-appointed by the Board on 22 September 2021 to audit the financial statements for the year ending 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is nine years, covering the years ending 2014 to 2022.

We remain independent of the Group and the Parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern.
- We assessed the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast and also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that current economic pressures might have on these projections.
- We considered the forecasts prepared by management and challenged the key assumptions based on our knowledge of the business.
- We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management include a range of stress tests to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the stress test calculations.
- We considered the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis.

- We obtained and assessed the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2024 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. We assessed the facility and covenant headroom calculations, and re-performed sensitivities on management's base case and stressed case scenarios.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Overview

Coverage

100% (2021: 100%) of Group profit before tax
100% (2021: 100%) of Group revenue
100% (2021: 100%) of Group total assets

Key audit matters

	2022	2021
The recoverable amount of property developed for sale is materially misstated	✓	✓
The accounting for and disclosure of sale of bonds is materially misstated	✓	–

Materiality
Group financial statements as a whole.

£7.8 million (2021: £8.1 million) based on 7.5% (2021: 7.5%) of adjusted operating surplus as defined by the entity's lending covenants.

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

A full scope statutory audit was carried out for all subsidiary undertakings. Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

We identified four components which, in our view, required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Optivo (Parent) and Optivo Finance Plc were identified as significant components due to their size and risk characteristics and Optivo Development Services Limited and Lamborn Estates Limited due to their risk characteristics.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

The recoverable amount of property developed for sale is materially misstated

As explained in the note 1 accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £101,374,000 (note 18). For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete.

Due to the volume of property developed for sale and the inherent estimation uncertainty in determining both sales proceeds and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

How the scope of our audit addressed the key audit matter

We obtained management's assessment of the recoverable amount of properties developed for sale as part of their year end procedures. This included consideration of expected sales proceeds and expected costs to complete the properties. Expected proceeds were based on either known amounts from exchanges and reservations for units or from valuation estimates, depending on the status of the development.

For a sample of property developed for sale, we have:

1) For sale prices	• compared anticipated selling prices to sales prices achieved after the year end, sales prices achieved for similar units in the year, valuation of properties for marketing purposes and other selling prices of similar properties in the locality.
2) For costs to complete	• assessed computations of costs to complete for reasonableness. • obtained the latest valuers report and review the construction costs against the total contract value taking into account contract variations. • obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. • considered Development Committee minutes and made enquiries of Scheme Project Managers for indications of cost overruns, contractor disputes or solvency issues in relation to the schemes tested. • compared the incurred expenditure (including costs incurred after the reporting date) to the estimated amount to ensure that the cost to complete estimate reflects actual costs. • assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.
3) For costs to sell	• considered computations of selling costs and compared against known selling costs that have been incurred in the year.

Key observations:

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

Key audit matter	
The accounting for, and disclosure of, the swaps restructure is materially misstated	
As explained in note 28 of the financial statements, the derivative portfolio was restructured during the year, reducing the derivative fair value liability substantially. Management deem the modifications to the swaps to be substantial and therefore the existing financial instruments were de-recognised and new instruments recognised. Due to the complex and non-standard nature of the restructure we considered there to be a significant risk that the restructure may be incorrectly accounted for and/or disclosed and this was therefore a key audit matter.	
How the scope of our audit addressed the key audit matter	
We obtained and reviewed management's assessment of the restructure (including appropriate accounting treatment and disclosure).	
1) For the accounting treatment	• We considered whether the transaction resulted in a modification of the financial instruments by reviewing all new financial instrument agreements and term sheets in place and comparing this to the documentation for the old instruments as well as the requirements per the accounting standards (FRS102); • We considered whether the value of the instruments exchanged on the transaction date was accurately allocated between the three new instruments (swap, fixed term loan and annuity); and • We reviewed the journals posted by management to account for the restructure to ensure they were appropriate and accurate
2) For the disclosure	• We considered whether financial statement disclosures are in line with the accounting standards; • We considered whether the disclosures provided are sufficient to explain a highly material and complex transaction; and • We agreed disclosures back to our audit work performed.
Key observations:	
Based on the evidence obtained we did not identify any indications that management's accounting for and disclosure of the restructure were inappropriate.	

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Association financial statements	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	7.8	8.1	7.5	8.0
Basis for determining materiality 7.5% of adjusted operating surplus as defined by the entities lending covenants.				
Rationale for the benchmark applied Management reports its performance to key stakeholders and monitors the business based on adjusted operating surplus as defined by the loan covenants. Based on the strictest loan covenant definition, depreciation and impairment are added back and surplus on first tranche sales, capitalised major repairs and amortisation of grants are excluded. It is therefore appropriate to adjust materiality in order to respond to the risk of covenant breach.				
Performance materiality	5.8	6.1	5.6	6.0
Basis for determining performance materiality 75%				

Component materiality
A full scope statutory audit was carried out for each subsidiary. We set materiality for each component dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £500 to £928k. In the audit of each component, we further applied performance materiality levels of 70 - 80% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £150k (2021: £163k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The Board are responsible for the other information. The other information comprises the information included in the annual report, 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 and 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;
- adequate accounting records have not been kept by the Association;
- a satisfactory system of control has not been maintained over transactions;
- the 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 Statement of the Board's financial responsibilities set out on page 70, 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 are 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.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

In addition, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and health and safety legislation. In order to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, we made enquiries of management and those charged with Governance about whether the entity is in compliance with such laws and regulations and we inspected any relevant regulatory and legal correspondence.

We have made an assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud may occur. In addressing the risk of fraud through management override of controls we have tested the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management, privileged users or with unusual account combinations.

Audit procedures capable of detecting irregularities including fraud performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, internal audit reports, reviewing correspondence with HMRC and the other regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing items included in the fraud and theft register for any potential weaknesses in internal control which could result in fraud susceptibility;
- Challenging assumptions made by management in their significant accounting estimates and judgements in particular in relation to the following:
  - Whether indicators of impairment exist
  - Recoverable amount of housing properties and properties held for sale
  - Determining the appropriate point to begin and cease capitalisation of development overheads and interest costs
  - Appropriate allocation of costs between tenure types and between first and subsequent shared ownership tranches
  - The useful economic lives of each category of depreciable assets
  - Assumptions used in pensions, investment property and derivative valuations
  - Measurement of provisions
  - Determining the appropriate accounting treatment of fire remediation works
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- We updated our understanding of the Group's current activities, the scope of its authorisation and the effectiveness of its control environment;
- Where applicable, we performed the above procedures on a Group as well as an individual component level.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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, Statutory Auditor
Gatwick, UK

Date:

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

Statement of Comprehensive Income for the year ended 31 March 2022

	Notes	GROUP 2022 £'000	GROUP 2021 £'000	ASSOCIATION 2022 £'000	ASSOCIATION 2021 £'000
Turnover	3a	340,021	332,235	332,809	316,864
Cost of sales	3a	(40,175)	(37,576)	(29,226)	(25,160)
Operating expenditure	3a	(230,345)	(216,220)	(230,951)	(217,973)
Surplus on investment disposal	3a	-	734	-	734
Surplus on disposal of housing properties	3c	27,320	24,389	26,397	23,248
Operating surplus		**96,821**	**103,562**	**99,029**	**97,713**
Surplus / (deficit) on disposal of commercial properties and other fixed assets	9	674	(26)	674	(26)
Interest receivable	10	238	625	3,393	5,272
Interest and financing costs	11	(51,524)	(53,894)	(53,065)	(53,744)
Movement in fair value of financial instruments	11	55,001	34,788	56,159	34,788
Movement in fair value of investment properties	15	4,996	4,665	4,716	4,175
Movement in fair value of investments	16	2,101	622	-	-
Surplus before taxation		**108,307**	**90,342**	**110,906**	**88,178**
Taxation	12	-	-	-	-
Surplus for the year		**108,307**	**90,342**	**110,906**	**88,178**
Actuarial gain / (loss) in respect of pension schemes	36	10,553	(17,124)	10,553	(17,124)
Change in fair value of hedging instrument	11	256	523	-	-
Discontinuation of hedge accounting		1,783	-	-	-
Change in fair value of housing properties		-	120	-	120
Total comprehensive income for the year		**120,899**	**73,861**	**121,459**	**71,174**

All activities relate to continuing operations.

The notes on pages 88 to 128 form part of these financial statements.

Statement of Financial Position (Balance Sheet) as at 31 March 2022

		GROUP		ASSOCIATION	
	Notes	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non current assets					
Tangible fixed assets - Housing properties	13	3,280,894	3,082,696	3,291,033	3,085,692
Other tangible fixed assets	14	16,129	16,810	16,129	16,810
Investment properties	15	136,153	131,791	118,283	114,201
Other investments	16 & 17	2,193	7,098	13	13
Financial instrument asset	-	-	-	1,157	-
Total non current assets		**3,435,369**	**3,238,395**	**3,426,615**	**3,216,716**
Current assets					
Properties held for sale	18	101,374	115,767	59,609	66,284
Trade and other debtors	19	56,335	53,911	113,078	116,332
Cash and cash equivalents	21	85,037	86,780	68,873	74,859
		242,746	**256,458**	**241,560**	**257,475**
Creditors: amounts falling due within one year	22	(185,359)	(343,030)	(182,159)	(341,820)
Net current assets / (liabilities)		57,387	(86,572)	59,401	(84,345)
Total assets less current liabilities		3,492,756	3,151,823	3,486,016	3,132,371
Creditors: amounts falling due after more than one year	23	(2,598,061)	(2,360,047)	(2,597,139)	(2,346,973)
Provisions and other liabilities	30	(1,240)	(680)	(1,240)	(680)
Pension liability	36	(23,265)	(41,805)	(23,265)	(41,805)
Net assets		**870,190**	**749,291**	**864,372**	**742,913**
Capital and reserves					
Share capital - non equity	32	-	-	-	-
Income & expenditure reserve		868,202	749,116	863,249	741,710
Designated reserves		1,030	1,101	571	571
General reserves		**869,232**	**750,217**	**863,820**	**742,281**
Restricted reserve		574	679	552	632
Revaluation reserve		384	434	-	-
Hedge reserve		-	(2,039)	-	-
Total reserves		**870,190**	**749,291**	**864,372**	**742,913**

The financial statements on pages 82 to 87 were approved by the Optivo Board on 27 July 2022, authorised for issue on 3 August 2022 and were signed on its behalf by:

Sir Peter Dixon
Chair

Eugenie Turton CB
Vice Chair

Alison Wignall
Secretary

Statement of Changes in Reserves for the year ended 31 March 2022

GROUP	Income & expenditure reserve £'000	Designated reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Hedge reserve £'000	Total £'000
Balance as at 1 April 2021	749,116	1,101	679	434	(2,039)	749,291
Surplus for the year	108,307	-	-	-	-	108,307
Change in fair value of hedged financial instruments	-	-	-	-	256	256
Discontinuation of hedge accounting	-	-	-	-	1,783	1,783
Actuarial gain on defined benefit pension scheme	10,553	-	-	-	-	10,553
Total comprehensive income for the year	**118,860**				**2,039**	**120,899**
Reserves transfers	226	(71)	(105)	(50)	-	-
Balance as at 31 March 2022	**868,202**	**1,030**	**574**	**384**	**-**	**870,190**

ASSOCIATION	Income & expenditure reserve £'000	Designated reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2021	741,710	571	632	742,913
Surplus for the year	110,906	-	-	110,906
Actuarial gain on defined benefit pension scheme	10,553	-	-	10,553
Total comprehensive income for the year	**121,459**	**-**	**-**	**121,459**
Reserves transfers	80		(80)	-
Balance as at 31 March 2022	**863,249**	**571**	**552**	**864,372**

Statement of Changes in Reserves for the year ended 31 March 2021

GROUP	Income & expenditure reserve £'000	Designated reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Hedge reserve £'000	Total £'000
Balance as at 1 April 2020	676,054	750	660	434	(2,562)	675,336
Surplus for the year	90,342	-	-	-	-	90,342
Change in fair value of housing properties	120	-	-	-	-	120
Change in fair vaule of hedged financial instruments	-	-	-	-	523	523
Actuarial loss on defined benefit pension scheme	(17,124)	-	-	-	-	(17,124)
Total comprehensive income for the year	**73,338**	**-**	**-**	**-**	**523**	**73,861**
Increases in fair value of housing properties	94	-	-	-	-	94
Reserves transfers	(370)	351	19	-	-	-
Balance as at 31 March 2021	**749,116**	**1,101**	**679**	**434**	**(2,039)**	**749,291**

ASSOCIATION	Income & expenditure reserve £'000	Designated reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Hedge reserve £'000	Total £'000
Balance as at 1 April 2020	670,846	264	629	-	-	671,739
Surplus for the year	88,178	-	-	-	-	88,178
Change in fair value of housing properties	120	-	-	-	-	120
Actuarial loss on defined benefit pension scheme	(17,124)	-	-	-	-	(17,124)
Total comprehensive income for the year	**71,174**	**-**	**-**	**-**	**-**	**71,174**
Reserves transfers	(310)	307	3	-	-	-
Balance as at 31 March 2021	**741,710**	**571**	**632**	**-**	**-**	**742,913**

Consolidated Statement of Cash Flows for the year ended 31 March 2022

	2022 £'000	2021 £'000
Cashflows from operating activities		
Surplus for the year	**108,307**	90,342
Adjustments for non-cash items:		
Depreciation and amortisation	**32,213**	30,202
Tax	-	-
Interest payable	**51,524**	53,894
Interest receivable	**(238)**	(625)
(Surplus)/deficit on disposal of other assets	**(674)**	26
Surplus on disposal of housing properties	**(27,320)**	(24,389)
Proceeds from sale of property, plant and equipment	**43,706**	45,420
Net fair value gains recognised in profit or loss	**(62,098)**	(40,075)
Difference between net pension expense and cash contribution	**(7,987)**	(8,942)
Decrease/(increase) in stocks	**14,393**	(1,309)
Increase in trade and other debtors	**(2,423)**	(8,883)
Increase in trade and other creditors	45,697	5,628
Increase/(decrease) in provisions	**560**	(80)
Net cash from operating activities	**195,660**	**141,209**
Cashflow from investing activities		
Purchase of property, plant and equipment	**(241,155)**	(201,528)
Investment in joint ventures	**7,006**	2,372
Proceeds from sale of commercial properties	**145**	16,640
Interest received	**238**	625
Capital grant received	**29,309**	28,246
Net cash used in investing activities	**(204,457)**	**(153,645)**
Cashflow from/(used in) financing activities		
Proceeds from long term borrowings	**482,956**	300,000
Interest paid	**(62,316)**	(57,080)
Repayment of borrowings	**(413,586)**	(281,153)
Net cash from/(used in) financing activities	**7,054**	**(38,233)**
Net change in cash and cash equivalents	**(1,743)**	(50,669)
Cash and cash equivalents at start of year	86,780	137,449
Cash and cash equivalents at end of year	**85,037**	86,780

Analysis of Change in Net Debt

	At 1 April 2021 £'000	Cashflows £'000	Other non cash changes £'000	At 31 March 2022 £'000
Cash and cash equivalents				
Cash	63,848	(1,671)	-	62,177
Cash equivalents	22,932	(72)	-	22,860
	86,780	**(1,743)**	**-**	**85,037**
Borrowings				
Debt due within one year	(212,172)	165,345	26,435	(20,392)
Debt due after one year	(729,915)	29,404	(91,055)	(791,566)
Bonds	(562,422)	(264,119)	2,008	(824,533)
	(1,504,509)	**(69,370)**	**(62,612)**	**(1,636,491)**
Derivatives	**(135,991)**	**22,715**	**91,917**	**(21,359)**
Total	**(1,533,720)**	**(48,398)**	**29,305**	**(1,572,813)**

Notes to the Financial Statements

for the year ended 31 March 2022

Introduction
Optivo was formed on 22 May 2017. This business combination was effected through an Amalgamation under s109 of the Community Benefits Societies Act 2014. The net assets of Optivo at 31 March 2022 were £870 million (2021: £749 million).

Legal status
Optivo is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with Homes England as a social housing provider. The Association is a public benefit entity and has adopted the public benefit entity sections of FRS 102. The functional and presentation currency is GBP. The figures are rounded to the nearest thousand.

1. Accounting policies

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2022. In the preparation of these financial statements, the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland" have been adopted.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting judgements and estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The impact potential variations may have on the financial information are explained in the accounting policies below. In preparing the separate financial statements of the parent Association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent Association would be identical
- Disclosures in respect of the parent Association's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Association as their remuneration is included in the totals for the group as a whole
- No cash flow statement has been presented for the parent Association.

The following principal accounting policies have been applied consistently in relation to the financial statements.

Basis of consolidation
The consolidated financial statements present the results of Optivo and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. Control of each subsidiary is established through holding 100% of the share capital or through ability to appoint the Board.

Going concern
After reviewing Optivo's budget and cash forecasts to August 2023, the Board have a reasonable expectation Optivo has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

In making this assessment the Board have made an assessment of the potential impact of the war in Ukraine on the cashflows of the Group over the next 12 month period. The Board have considered the impact of possible sanctions on us and our supply chain. We are keeping the sanctions list under review. Board are confident our viability can be maintained, concluding that whilst the potential impact of the Ukraine war presents current uncertainty, having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

Board have also considered the risks from the emerging change in inflation, high interest rates and possible lower rent settlements from the Government. These scenarios are included in stress testing of our financial plan. This stress testing shows the business to be robust even in extreme downside scenarios. Our viability can be maintained and social housing assets not put at undue risk even with our continuing strategy of debt funded social housing investment.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment in the individual entity's financial statements.

Associates and joint venture
An entity is treated as an associated undertaking where Optivo or the relevant subsidiary exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture. The consolidated statement of comprehensive income includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. Any share of losses are only recognised to the extent that they do not reduce the investment balance below zero as the group has no obligations to make payments on behalf of the joint venture, and any share of subsequent profits shall be accounted for once the unrecognised profits are equal to the unrecognised losses. In the consolidated balance sheet, the interests in joint ventures are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any unrealised profits and losses from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

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)
- First tranche sales of shared ownership housing properties developed for sale
- Service charges receivable
- Amortisation of deferred capital grants and other grants receivable
- Proceeds from the sale of land and property
- Key worker accommodation
- Student accommodation
- Market rent lettings
- Commercial lettings.

Rental income
Rental income is earned from social housing properties, key worker accommodation, student accommodation, market rent lettings and commercial lettings. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids.

Income from disposal of properties
Income from first tranche sales is recognised at the point of legal completion of the sale. The profit or loss on disposal of social housing properties intended for outright sales or first tranche sales is recognised within operating surplus. Any profit or loss on disposal of investment properties is recognised below the operating surplus.

Service charges
The Group operates both fixed and variable service charges on a scheme by scheme basis. Service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge.

Charges made to leaseholders for the replacement of equipment and repairs within their estates are held in sinking funds which are ring-fenced for use on those estates. Such sinking funds are disclosed on the balance sheet as creditors.

Rent and service charge agreements
The Association has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Schemes managed by agents
Income represents rent receivable. Management fees payable to agents are included in operating costs.

Tangible fixed assets - Housing properties
Housing properties constructed or acquired (including land) on the open market 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 incremental staff costs and other costs of managing the development.

Directly attributable costs of acquisition include capitalised interest calculated on a proportional basis using finance costs on borrowing drawn 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 the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in the first tranche, are included in property, plant and equipment and held at cost less any impairment. They are transferred to completed properties when ready for letting. Expenditure on schemes, which are subsequently aborted, is written off in the period in which it is recognised the scheme will not be developed to completion.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets, which is included in the operating surplus for the year in the statement of comprehensive income.

Government grants
As required by the Housing SORP, grant is carried as deferred income in the balance sheet and released to the statement of comprehensive income on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP the useful economic life of the housing property structure has been selected (see table of useful economic lives below).

Social housing grant (SHG) becomes recyclable at the point the related property is sold and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). Grants due from government organisations or received in advance are included as liabilities.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Depreciation of housing properties

Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure they are only depreciated in periods in which economic benefits are expected to be consumed.

The cost of housing property and components are depreciated over the useful economic lives of the assets on the following basis:

Component:	
Structure	85-125 years
Kitchens	20-25 years
Fire alarms	20 years
Electrical wiring	5-30 years
Bathrooms	20-30 years
Lifts	25-30 years
Boilers & heating	15 years
Roofs	60-80 years
Front doors	30 years
Windows	25-30 years

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

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on what is appropriate for each scheme.

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 not related to a specific development and 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 balance sheet as a liability. Where the donation is from a non-public source the value of the donation is included as income.

Impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts.

An options appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options.

The recoverable amount is taken to be the higher of the fair value less costs to sell or the 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 appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of depreciated replacement cost compares a rebuild cost (using floor space, an average build cost per square metre and an average grant per unit) with expectations of price for an asset with equivalent service potential on the open market. The lower of the replacement costs is then adjusted as if that cost had been depreciated for the life of the asset.

The Group defines cash generating units as follows:

- Individual historic completed homes / stock transfer properties assessed on the basis of geography and property size
- Already impaired properties assessed at individual scheme level.

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.

Stock swaps
Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value. Grant associated with the transfers is recorded as a contingent liability.

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

Development overheads
Development overhead costs are capitalised to the extent they are directly attributable to bringing schemes into working condition for their intended use. Such expenditure consists of in-house development, architect and surveyor costs (including the cost of our own employees), and a proportion of the cost of staff in other departments who work on development activities.

Shared ownership properties and staircasing
Under low cost home ownership arrangements, the Group 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 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 "staircasing element", is classed as property, plant and equipment and included in completed housing property at cost together with any provision for impairment. Sales of subsequent tranches are treated as a part disposal of property, plant and equipment. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

The Group maintains shared ownership properties to a sound state of repair where it has the responsibility to do so. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the statement of comprehensive income.

Investment properties
Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business but held for investment potential or capital appreciation. Investment properties are measured at cost on acquisition or initial recognition and subsequently at fair value at the year end, with changes in fair value recognised in the statement of comprehensive income. Fair value is determined annually by appropriately qualified external valuers and derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties.

The Group engaged Jones Lang LaSalle Limited and Resolution Property Surveyors for the fair value at 31 March 2022. Changes in fair value are recognised in the statement of comprehensive income. Investment properties make up less than 5% of our asset portfolio. We update the investment property valuations annually.

Recycled Capital Grant Fund
On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing (RSH) can direct the Association to recycle or repay capital grants. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, grant will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated cannot be used within one year is held in the balance sheet under "creditors due after more than one year". The remainder is held under "creditors due within one year".

Disposal Proceeds Fund
Receipts from Right to Acquire (RTA) sales made prior to April 2017 were required to be retained in a ring fenced fund that could only be used for providing replacement housing. These sales receipts less eligible expenses were held in the disposal proceeds fund.
Any such amount held within disposal proceeds fund were held under "creditors due within one year".
The balances were supposed to be used by March 2021 but Homes England allowed us to use the balances during 2021/22.

Tangible fixed assets – Other
Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised and reflected in the statement of comprehensive income. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Impairment of rental and other trade receivables
The Association estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair the Association reviews the age profile of the debt, historical collection rates and the class of debt. Former tenant arrears are written off to the statement of comprehensive income at the point the resident exits the property to the extent that they are not considered recoverable.

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 offices	50 years
Leasehold properties	Over term of lease
Office improvements	10 years
Furniture & office equipment	5 years
Computer hardware	4 years
Computer software	4 years
Motor vehicles	4 years

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 fixed assets" in the statement of comprehensive income.

Debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Financial instruments and borrowings
Optivo has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to its financial instruments. Financial assets and financial liabilities are recognised when the organisation becomes a party to the contractual provisions of the instrument, and are offset only when the organisation currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. All borrowings have been assessed as meeting the basic definition in Section 11 and are therefore initially recognised at the transaction price, including transaction costs, and are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges. Loans and investments payable or receivable within one year are not discounted.

Cash and cash equivalents
Cash and cash equivalents in the Group's consolidated balance sheet consist of cash at bank and in hand, deposits and short term investments with an original maturity of three months or less.

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 interest rate swaps. These instruments 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. Movements in fair value are recognised in the statement of comprehensive income. The derivatives are accounted for in accordance with FRS 102 – Section 12 at fair value through profit or loss.

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in profit or loss in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to profit or loss when the variable rate interest is recognised in profit or loss.

The Group has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based (e.g. LIBOR) will not be altered as a result of interest rate benchmark reform.
Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Society documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to profit or loss, either when the variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

Finance costs
Finance costs are charged to income and expenditure over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Deferred financing costs
Deferred financing costs represent the costs incurred in securing new borrowing facilities. They are deducted from the value of the housing loans and bond and amortised over the life of the housing loans or bond to which they relate using the effective interest rate method. The deferred financing cost includes the discount and premium on the bond issue. The carrying amount of the housing loans or bond will be increased by the finance cost for each reporting period and reduced by repayments made in respect of the loan or bond in that period.

Sales and leaseback schemes
The group has a leasehold interest in properties which have been subsequently leased back to the respective freeholders for the purpose of providing housing accommodation. The remaining life is seven years. The Group's net investment in these properties is disclosed in the Balance Sheet under "debtors". The balance of the Group's investment in these properties is written down as lease payments are received.

Value Added Tax
The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases. Rentals paid under operating leases are charged to the statement of comprehensive income on the accruals basis. Where assets are financed by leasing agreements that give rights approximating to ownership they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments (or if lower the fair value of leased asset) and is depreciated in accordance with the Group's normal policy for that class of assets. The corresponding liability to the lessor is included in the Balance sheet as a finance lease obligation. Lease payments are apportioned between finance

charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Annual rentals on operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Pension costs
The Group operates five funded schemes and an Optivo defined contribution scheme which is used for auto enrolment.

Defined contribution scheme
Employees have the option to join Optivo's defined contribution scheme, to which the Group makes a contribution of up to 10% of pensionable salary. Contributions are charged to operating surplus in the year in which they become payable.

Funded schemes
The defined benefit schemes are set out below and are closed to new members.

- Horizon Housing Group Pension Scheme
- Local Government Pension Scheme – Kent County Council Scheme
- Local Government Pension Scheme – East Sussex County Council Scheme
- Local Government Pension Scheme – London Borough of Barnet
- Optivo DB Pension Scheme

The assets of each of the schemes are held separately from those of the Group. 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 and are charged to operating surplus. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Provision for liabilities
The Group has recognised provisions for hand back liabilities. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

Contingent liabilities
A contingent liability is disclosed for a possible obligation for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or 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 when a sufficiently reliable estimate of the amount cannot be made. A contingent liability exists on grant repayment which is dependent on the disposal of the related property.

Reserves
Income received, and expenditure incurred, for restricted and designated purposes is separately accounted for within restricted and designated funds. The revaluation reserve was established on transition to FRS 102 on application of the deemed cost model which allowed first time adopters to elect to measure an item of fixed assets at its fair value at the date of transition and to use that fair value as its deemed cost at that date. Movements in the revaluation reserve relate to depreciation in the year of homes held at deemed cost.

Operating segments
As we have publicly traded securities within the Group we are required to disclose information about our operating segments under IFRS 8. Segmental information is disclosed in notes 3(a) and 3(b) and as part of the analysis of housing properties in note 13. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Board does not routinely receive segmental information disaggregated by geographical location.

2. 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 fixed 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. Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. Board have also considered impairment based on their assumptions to define cash or asset generating units
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of that asset
- Determining the appropriate accounting treatment of fire remediation works. We've determined the costs we incur will not meet the recognition criteria set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). The costs incurred are charged as expenditure in the Statement of Comprehensive Income
- Determining the appropriate point to begin and cease capitalisation of development overheads and interest costs for a development scheme
- The categorisation of financial instruments as basic or other.

Other key sources of estimation uncertainty

- **Tangible fixed assets (notes 13 and 14)**
  Tangible fixed assets other than investment properties are depreciated over their useful economic lives taking into account residual values where appropriate. The actual lives of these assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as economic conditions are taken into account. Residual value assessments consider future market conditions, the remaining useful 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.

  Determining the anticipated costs to complete a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. We then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This is based on our best estimate of current sales and economic conditions prevailing at the time.

- **Investment properties (note 15)**
Our market rent, commercial rent and student accommodation properties are professionally valued. For market rent and commercial properties a rent capitalisation model was adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. For student accommodation properties a discounted cash flow methodology was used with discount rates between 6.76% and 15.5%. Rates used are higher than current market discount rates due to onerous restrictions imposed under the project agreement with Middlesex First Limited. For our Eastbourne site where we our expecting an early termination of the lease, in calculating the net present value of the asset valuers adopted a discount rate of 20%.

- **Recovery of properties developed for sale (note 18)**
Properties developed for sale are carried on the statement of financial position at the lower of cost and net realisable value. Cost is taken as the production cost which includes an appropriate portion of attributable overheads. Net realisable value is based on estimated sale proceeds after allowing for further costs to completion and selling costs.

- **Fair value measurement of derivatives (note 29)**
These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates.

- **Defined benefit pension schemes (note 36)**
The defined benefit liabilities are calculated based on proposed actuarial assumptions by the scheme actuaries. The Group has used these proposed assumptions with the exception of the local government pension schemes where we have varied three assumptions based on advice from our retained actuarial advisors. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

3. (a) Particulars of turnover, operating costs and operating surplus — Group

GROUP	2022 Turnover £'000	2022 Cost of sale £'000	2022 Operating costs £'000	2022 Fixed asset & investment disposals £'000	2022 Operating surplus/ (deficit) £'000	2021 Turnover £'000	2021 Cost of sale £'000	2021 Operating costs £'000	2021 Fixed asset & investment disposals £'000	2021 Operating surplus/ (deficit) £'000
Social housing activities (note 3b)	278,621	-	(213,503)	-	**65,118**	268,595	-	(196,587)	-	72,008
Other social housing activities										
First tranche sales	34,120	(29,226)	-	-	**4,894**	31,274	(25,160)	-	-	6,114
Supported housing	-	-	-	-	**-**	24	-	(24)	-	-
Qualifying charitable donation	-	-	-	-	**-**	2	-	-	-	2
Other	-	-	(1,077)		**(1,077)**	-	-	(1,130)	-	(1,130)
Surplus on asset disposal (note 3c)	-	-	-	27,320	**27,320**	-	-	-	24,389	24,389
Surplus on investment disposal	-	-	-	-	**-**	-	-	-	734	734
	34,120	**(29,226)**	**(1,077)**	**27,320**	**31,137**	31,300	(25,160)	(1,154)	25,123	30,109
Non social housing activities										
Community activities	1,366	-	(3,526)	-	**(2,160)**	1,294	-	(3,222)	-	(1,928)
Market & sub-market renting	556	-	(138)	-	**418**	596	-	(163)	-	433
Student accommodation	10,907	-	(8,631)	-	**2,276**	12,681	-	(12,177)	-	504
Commercial renting	1,503	-	(1,868)	-	**(365)**	1,972	-	(1,915)	-	57
Market sales	11,346	(10,949)	-	-	**397**	14,795	(12,416)	-	-	2,379
Other	1,602	-	(1,602)	-	**-**	1,002	-	(1,002)	-	-
	27,280	**(10,949)**	**(15,765)**	**-**	**566**	32,340	(12,416)	(18,479)	-	1,445
Total	**340,021**	**(40,175)**	**(230,345)**	**27,320**	**96,821**	332,235	(37,576)	(216,220)	25,123	103,562

Community activities for Fresh Visions and Optivo includes grant received from the Big Local Trust (Heart of Sidley) of £21,558 (2021: £42,423) and related expenditure of £35,472 (2021: £41,075). It also includes a Children in Need grant of £37,474 (2021: £30,908) and related expenditure of £37,474 (2021: £30,908).

3. (a) Particulars of turnover, operating costs and operating surplus

Association

ASSOCIATION	2022 Turnover £'000	Cost of sale £'000	Operating costs £'000	Fixed asset & investment disposals £'000	Operating surplus/ (deficit) £'000	2021 Turnover £'000	Cost of sale £'000	Operating costs £'000	Fixed asset & investment disposals £'000	Operating surplus/ (deficit) £'000
Social housing activities (note 3b)	277,110	-	(213,493)	-	**63,617**	267,844	-	(197,099)	-	70,745
Other social housing activities										
First tranche sales	34,120	(29,226)	-	-	**4,894**	31,274	(25,160)	-	-	6,114
Supported housing	-	-	-	-	**-**	24	-	(24)	-	-
Services to Group companies	300	-	-	-	**300**	237	-	-	-	237
Gift aid	7,765	-	-	-	**7,765**	2,494	-	-	-	2,494
Other	-	-	(1,065)	-	**(1,065)**	-	-	(1,125)	-	(1,125)
Surplus on asset disposal (note 3c)	-	-	-	26,397	**26,397**	-	-	-	23,248	23,248
Impairment of investment	-	-	(1,398)	-	**(1,398)**	-	-	(2,350)	-	(2,350)
Surplus on investment disposal	-	-	-	-	-	-	-	-	734	734
	42,185	**(29,226)**	**(2,463)**	**26,397**	**36,893**	34,029	(25,160)	(3,499)	23,982	29,352
Non social housing activities										
Community activities	1,174	-	(3,063)	-	**(1,889)**	1,011	-	(2,849)	-	(1,838)
Market & sub-market renting	556	-	(138)	-	**418**	596	-	(163)	-	433
Student accommodation	8,679	-	(8,324)	-	**355**	10,410	-	(11,445)	-	(1,035)
Commercial renting	1,503	-	(1,868)	-	**(365)**	1,972	-	(1,916)	-	56
Other	1,602	-	(1,602)	-	-	1,002	-	(1,002)	-	-
	13,514	**-**	**(14,995)**	**-**	**(1,481)**	14,991	-	(17,375)	-	(2,384)
Total	**332,809**	**(29,226)**	**(230,951)**	**26,397**	**99,029**	316,864	(25,160)	(217,973)	23,982	97,713

3. (b) Particulars of income and expenditure from social housing lettings — Group

GROUP	General needs housing £000	Supported housing and HOPs £000	Key workers £000	Other housing provision £000	Shared ownership £000	Temporary social housing £000	2022 Total £000	2021 Total £000
Rents receivable net of identifiable service charges	185,030	20,619	7,387	1,585	18,922	943	234,486	228,184
Service charges receivable	10,578	9,841	-	-	8,476	115	29,010	28,153
Net rental income	**195,608**	**30,460**	**7,387**	**1,585**	**27,398**	**1,058**	**263,496**	256,337
Amortised government grant	6,524	2,050	-	-	1,010	120	9,704	9,695
Other revenue income	3,477	218	546	471	342	367	5,421	2,563
Turnover from social housing lettings	**205,609**	**32,728**	**7,933**	**2,056**	**28,750**	**1,545**	**278,621**	268,595
Expenditure on letting activities								
Management	33,736	4,952	3,420	589	4,471	820	47,988	45,244
Bad debts	1,058	422	167	8	-	8	1,663	(1,877)
Service charge costs	14,002	10,563	-	252	8,902	142	33,861	31,003
Routine maintenance	30,323	190	936	28	7	13	31,497	28,149
Planned maintenance	49,124	618	1,550	98	4	37	51,431	47,643
Major repairs	6,776	29	62	12	-	3	6,882	6,747
Impairment of housing properties and stock	-	-	-	-	(699)	-	(699)	99
Depreciation of housing properties	28,048	5,674	1,700	-	3,545	156	39,123	37,731
Accelerated depreciation	1,340	-	-	-	-	-	1,340	1,294
Other costs	70	-	-	8	-	339	417	554
Operating costs on social housing	**164,477**	**22,448**	**7,835**	**995**	**16,230**	**1,518**	**213,503**	196,587
Operating surplus on social housing lettings	**41,132**	**10,280**	**98**	**1,061**	**12,520**	**27**	**65,118**	72,008
Void Losses	**(2,096)**	**(1,107)**	**(197)**	**-**	**(5)**	**(79)**	**(3,484)**	(4,115)

3. (b) Particulars of income and expenditure from social housing lettings (continued)

Association

ASSOCIATION	General needs housing £000	Supported housing and HOPs £000	Key workers £000	Other housing provision £000	Shared ownership £000	Temporary social housing £000	2022 Total £000	2021 Total £000
Rents receivable net of identifiable service charges	184,947	20,619	7,387	1,585	18,305	943	**233,786**	227,457
Service charges receivable	10,567	9,841	-	-	8,264	115	**28,787**	27,924
Net rental income	**195,514**	**30,460**	**7,387**	**1,585**	**26,569**	**1,058**	**262,573**	255,381
Amortised government grant	6,527	2,049	-	-	947	120	**9,643**	9,631
Other revenue income	2,971	218	546	471	321	367	**4,894**	2,832
Turnover from social housing lettings	**205,012**	**32,727**	**7,933**	**2,056**	**27,837**	**1,545**	**277,110**	267,844
Expenditure on letting activities								
Management	33,922	4,999	3,429	591	4,405	822	**48,168**	45,964
Bad debts	1,057	422	167	8	-	8	**1,662**	(1,877)
Service charge costs	13,992	10,563	-	252	8,691	142	**33,640**	30,787
Routine maintenance	30,344	190	937	28	7	13	**31,519**	28,173
Planned maintenance	49,179	619	1,552	98	4	37	**51,489**	47,683
Major repairs	6,806	29	63	12	-	3	**6,913**	6,771
Impairment of housing properties and stock	-	-	-	-	(699)	-	**(699)**	99
Depreciation of housing properties	28,029	5,674	1,700	-	3,484	156	**39,043**	37,651
Accelerated depreciation	1,340	-	-	-	-	-	**1,340**	1,294
Other costs	70	-	-	8	-	340	**418**	554
Operating costs on social housing	**164,739**	**22,496**	**7,848**	**997**	**15,892**	**1,521**	**213,493**	197,099
Operating surplus /(deficit) on social housing lettings	**40,273**	**10,231**	**85**	**1,059**	**11,945**	**24**	**63,617**	70,745
Void Losses	**(2,094)**	**(1,107)**	**(197)**	**-**	**(5)**	**(79)**	**(3,482)**	(4,114)

3. (c) Fixed Asset disposals

GROUP	Staircasing £000	Right to buy £000	Other properties £000	2022 Total £000	2021 Total £000
Disposal proceeds	22,315	2,417	18,747	43,479	36,820
Cost of disposals	(10,357)	(1,553)	(4,249)	(16,159)	(12,431)
Surplus on asset disposals	**11,958**	**864**	**14,498**	**27,320**	**24,389**

ASSOCIATION	Staircasing £000	Right to buy £000	Other properties £000	2022 Total £000	2021 Total £000
Disposal proceeds	21,210	2,417	18,747	42,374	35,378
Cost of disposals	(10,175)	(1,553)	(4,249)	(15,977)	(12,130)
Surplus on asset disposals	**11,035**	**864**	**14,498**	**26,397**	**23,248**

4. Units of housing stock

GROUP	1 April 2021	Homes developed	Homes acquired	Sold / demolished	Other movements	31 March 2022
Social Housing homes						
General needs rent	26,151	23	-	(95)	57	26,136
General needs affordable rent	3,915	220	43	(5)	(11)	4,162
Supported housing rent	978	-	-	-	(15)	963
Supported housing affordable rent	26	-	-	-	-	26
Housing for older people rent	3,427	-	-	-	10	3,437
Housing for older people affordable rent	57	-	-	-	(3)	54
Key workers	1,172	-	-	-	28	1,200
Low cost home ownership	4,360	265	23	(128)	(24)	4,496
Temporary & intermediate rent	545	31	-	-	(9)	567
Care homes	69	-	-	-	-	69
Total social housing homes owned and or managed	**40,700**	**539**	**66**	**(228)**	**33**	**41,110**
Total social housing homes owned but not managed	572	-	-	-	(1)	571
Total social housing homes managed but not owned	50	-	66	-	-	116
Non social housing						
Market rent	64	-	-	(1)	(1)	62
Student accommodation	1,835	-	-	-	-	1,835
Total non social housing homes owned and managed	**1,899**	**-**	**-**	**(1)**	**(1)**	**1,897**
Total non social housing homes managed but not owned	181	-	-	-	(1)	180
Total owned & managed	**42,599**	**539**	**66**	**(229)**	**32**	**43,007**
Leaseholders	2,292	-	89	-	-	2,381
Outright sale homes	6	77	-	(31)	-	52
Units under construction	2,812	-	-	-	-	3,087

We own an average 58% equity in shared ownership properties. Included in Leaseholders of 2,381 (2021: 2,292) are 69 homes where a 75% equity share has been disposed of but no rent is charged on the remaining 25%. As rent is not charged on this portion the properties are shown as 100% staircased.

4. Units of housing stock (continued)

ASSOCIATION	1 April 2021	Homes developed	Homes acquired	Sold / demolished	Other movements	31 March 2022
Social Housing homes						
General needs rent	26,151	23	-	(95)	57	26,136
General needs affordable rent	3,915	220	43	(5)	(11)	4,162
Supported housing rent	978	-	-	-	(15)	963
Supported housing affordable rent	26	-	-	-	-	26
Housing for older people rent	3,427	-	-	-	10	3,437
Housing for older people affordable rent	57	-	-	-	(3)	54
Key workers	1,172	-	-	-	28	1,200
Low cost home ownership	4,360	265	23	(128)	(24)	4,496
Temporary & intermediate rent	545	31	-	-	(9)	567
Care homes	69	-	-	-	-	69
Total social housing homes owned and or managed	**40,700**	**539**	**66**	**(228)**	**33**	**41,110**
Total social housing homes owned but not managed	572	-	-	-	(1)	571
Total social housing homes managed but not owned	256	-	66	-	-	322
Non social housing						
Market rent	64	-	-	(1)	(1)	62
Student accommodation	1,835	-	-	-	-	1,835
Total non social housing homes owned and managed	**1,899**	**-**	**-**	**(1)**	**(1)**	**1,897**
Total non social housing homes managed but not owned	940	-	-	-	-	940
Total owned & managed	**42,599**	**539**	**66**	**(229)**	**32**	**43,007**
Leaseholders	2,196	-	89	-	-	2,285
Units under construction	2,506	-	-	-	-	2,936

We own an average 58% equity in shared ownership properties. Included in Leaseholders of 2,285 (2021: 2,196) are 69 homes where a 75% equity share has been disposed of but no rent is charged on the remaining 25%. As rent is not charged on this portion the properties are shown as 100% staircased.

5. Surplus for the year

	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
Operating surplus is stated after (crediting)/charging:				
Grant amortised	(9,704)	(9,695)	(9,643)	(9,631)
Depreciation – housing properties	39,153	37,788	39,073	37,708
Depreciation – Farncombe Road debtor	(30)	(57)	(30)	(57)
Depreciation – other fixed assets	2,757	2,159	2,757	2,159
Impairment housing properties & stock	(699)	(277)	(699)	(277)
Accelerated depreciation	1,340	1,294	1,340	1,294
Operating lease charges:				
- Land & building	761	1,742	761	1,727
- Other	469	392	469	389
Auditors' remuneration:				
- in respect of audit services	232	228	210	206
Defined benefit scheme current service cost (note 36)	1,097	888	1,097	888
Defined contribution scheme pension cost	3,869	3,914	3,849	3,897

6. Employees

	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
Staff costs (including directors) consist of:				
Wages & salaries	56,510	56,086	56,202	55,836
Social security costs	5,730	5,625	5,703	5,600
Pension costs	4,966	4,802	4,946	4,785
Redundancy costs	334	112	334	112
	67,540	66,625	67,185	66,333

More details on pension costs can be found in note 36. The Group did not receive any income through the Coronavirus Job Retention Scheme (CJRS) (2021: £0.5 million - recognised separately and not netted off against staff costs).

The average number of employees (including directors) expressed as full time equivalents (calculated based on a standard working week of 36 hours) during the year was as follows:

	GROUP 2022 FTE	GROUP 2021 FTE	ASSOCIATION 2022 FTE	ASSOCIATION 2021 FTE
FTE Analysis				
Administration	244	250	244	250
Development	64	65	64	65
Housing	1,015	1,119	1,015	1,119
	1,323	1,434	1,323	1,434

7. Directors' and senior executives' remuneration

The key management personnel are defined as the Chief Executive and the Executive Team of Optivo as it existed at 31 March 2022 disclosed on page 65.

GROUP AND ASSOCIATION	2022 £000	2021 £000
The emoluments of the Executive Officers were:		
Executive directors' emoluments (excluding pension)	1,184	1,016
Pension contributions	106	95
The Executive Director Development & Sales was the highest paid director in 2021/22;		
total remuneration (excluding pension contributions) for the year	256	245

The Group Chief Executive is a member of Optivo's defined contributions scheme which is managed by TPT Retirement Solutions. A contribution of £25,600 (2021: £24,033) was made to this scheme on his behalf. There are no enhanced or special terms that apply to the Chief Executive's pension scheme arrangements. Payments made in respect of directors' loss of office £109k (2021: Nil).

The remuneration (including employer pension contributions) paid to staff (including Executive Team) earning over £60,000:

GROUP AND ASSOCIATION	2022 Employees	2021 Employees
Band		
£60,000 - £70,000	68	70
£70,001 - £80,000	25	33
£80,001 - £90,000	23	23
£90,001 - £100,000	13	10
£100,001 - £110,000	10	7
£110,001 - £120,000	8	11
£120,001 - £130,000	7	4
£130,001 - £140,000	2	2
£140,001 - £150,000	4	3
£150,001 - £160,000	1	2
£160,001 - £170,000	2	2
£200,001 - £210,000	1	-
£220,001 - £230,000	-	2
£230,001 - £240,000	1	1
£240,001 - £250,000	1	-
£260,001 - £270,000	-	1
£270,001 - £280,000	1	-
£280,001 - £290,000	1	-
	168	171

8. Non-Executive Board and Committee members

The table below shows the salaries paid to non-Executive Board and Committee members and expenses incurred during the discharge of their duties during 2021/22:

	2022 Remuneration £	2022 Expenses £	2022 Total £	2021 Total £
Sir Peter Dixon	26,974	-	**26,974**	22,356
Eugenie Turton	16,562	-	**16,562**	16,956
Howard Cresswell	14,933	-	**14,933**	11,673
Michelle Dovey	14,933	-	**14,933**	11,673
Nigel Tinker	14,933	-	**14,933**	7,336
Geanna Bray	14,933	103	**15,036**	11,674
Damien Regent	14,933	-	**14,933**	8,798
Andrew Burder	11,641	21	**11,662**	8,359
Grace Alaneme	10,130	-	**10,130**	-
Nick Stephenson	11,641	-	**11,641**	9,020
Kayne Kola	8,828	43	**8,871**	-
Charles Joseland	5,750	195	**5,945**	4,313
Candice McCausland	4,175	-	**4,175**	4,600
Carolyn Porretta	4,175	-	**4,175**	1,600
Kathryn Smith	4,175	-	**4,175**	3,184
Liz Curran	4,175	48	**4,223**	3,184
Malcolm Zack	4,175	-	**4,175**	3,184
Matthew Abbott	4,175	-	**4,175**	3,184
Maureen Nicholas	4,175	-	**4,175**	3,184
Andrew Hill	3,706	32	**3,738**	1,600
Billy Brown	1,636	-	**1,636**	-
Andrew Wiseman	-	-	**-**	9,672
Naveed Chaudry	-	-	**-**	1,241
Helen Sachdev	-	-	**-**	935
Rosemary Ley	-	-	**-**	806
Phillippa Brown	-	-	-	630
	200,758	**442**	**201,200**	**149,162**

The Fresh Visions People Limited Trustees are unpaid. The total payments to Board and Committee members in 2021/22 is less than 0.1% of our turnover. The amount paid to Board and Committee members is reviewed annually. Remuneration is based on sector benchmarking data for comparable sized associations.

9. Surplus / (deficit) on disposal of commercial properties and other fixed assets

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Disposal proceeds	970	27,030	970	27,030
Cost of disposals	(296)	(27,056)	(296)	(27,056)
	674	(26)	674	(26)

10. Interest receivable and income from investments

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Bank and deposit interest	182	467	4	2,928
Investment income	56	158	56	158
From subsidiary undertaking	-	-	3,333	2,186
	238	625	3,393	5,272

11. Interest and financing costs

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Bank loans	32,701	40,773	32,879	40,619
Swap payments	18,229	17,445	17,874	17,047
Recycled Capital Grant Fund	52	25	52	25
Other interest and financing costs	12,499	4,230	14,217	4,632
Net interest on pension funds	780	660	780	660
	64,261	**63,133**	**65,802**	**62,983**
Interest capitalised on construction of housing properties	(12,737)	(9,239)	(12,737)	(9,239)
	51,524	**53,894**	**53,065**	**53,744**
Other financing costs through income and expenditure				
Gain on swap derivative instrument	55,001	34,788	56,159	34,788
Other financing costs through other comprehensive income				
Gain on hedged derivative instrument	2,039	523	-	-

12. Taxation

GROUP AND ASSOCIATION	2022 £000	2021 £000
Current Tax		
Current tax on income for the period	-	-
Adjustment in respect of previous periods	-	-
Total current tax	**-**	**-**

GROUP AND ASSOCIATION	2022 £000	2021 £000
Reconciliation of tax recognised in income and expenditure		
Surplus on ordinary activities before taxation	108,307	90,390
Corporation tax charged at 19% (2021: 19%)	20,578	17,174
Effects of		
Charitable surpluses not taxed	(20,578)	(17,174)
Adjustment in respect of prior periods	-	-
	-	-

Optivo is a charitable housing association and is not liable to Corporation Tax on its charitable activities. Four subsidiaries, Crystal Palace Housing Association Limited (CPHA), Optivo Finance plc (OF), Optivo Development Services Limited (ODS) and Lamborn Estates Limited (LE) are subject to Corporation Tax. One subsidiary, Middlesex First Limited is charitable and is not liable to corporation tax on its charitable activities.

A reconciliation between Corporation Tax at the standard rate on the surplus on ordinary activities and the actual tax charge has not been provided due to the charitable status of Optivo, Charity of Julia Spicer for Almshouse, Eason Gruaz Homes, Middlesex First Limited, Amicus Group Limited and The Fresh Visions People Limited.

13. (a) Tangible fixed assets – housing properties Group

GROUP	Housing properties held for letting £000	Housing properties for letting under construction £000	Completed shared ownership properties £000	Shared ownership properties under construction £000	Total housing properties £000
Cost					
At 1 April 2021	2,740,851	221,013	464,197	108,242	3,534,303
Additions during year	509	147,703	382	79,664	228,258
Improvements	18,572	-	-	-	18,572
Transfer from investment property (note 15)	514	-	-	-	514
Transfer (to) / from current assets	-	-	(334)	4,593	4,259
Tenure change	4,998	-	(4,998)	-	-
Transfer on completion	62,608	(62,608)	46,320	(46,320)	-
Disposals - property	(5,461)	-	(9,652)	-	(15,113)
Disposals - components	(7,737)	-	-	-	(7,737)
At 31 March 2022	**2,814,854**	**306,108**	**495,915**	**146,179**	**3,763,056**
Depreciation and impairment					
At 1 April 2021	425,998	-	25,609	-	451,607
Depreciation charge for the year	35,608	-	3,545	-	39,153
Disposals during year	(1,423)	-	(778)	-	(2,201)
Component disposals during year	(6,397)	-	-	-	(6,397)
At 31 March 2022	**453,786**	**-**	**28,376**	**-**	**482,162**
Net book value					
At 31 March 2022	**2,361,068**	**306,108**	**467,539**	**146,179**	**3,280,894**
At 31 March 2021	2,314,853	221,013	438,588	108,242	3,082,696

The cost of land included in the above not subject to depreciation is £1,045 million (2021: £1,048 million). The net book value of leasehold land and buildings included above is £416 million (2021: £391 million). Additions to housing properties in the course of construction during the year included capitalised interest of £12.7 million (2021: £9.2 million) at an average interest rate during the year of 3.61% (2021: 3.69%).

The total expenditure on works to existing properties during the year was £88 million (2021: £85 million), of which £18.6 million (2021: £20 million) was capitalised as component replacements, the remainder was expensed.

13. (b) Tangible fixed assets – housing properties

Association

ASSOCIATION	Housing properties held for letting £000	Housing properties for letting under construction £000	Completed shared ownership properties £000	Shared ownership properties under construction £000	Total housing properties £000
Cost					
At 1 April 2021	2,739,961	229,250	457,432	109,273	3,535,916
Additions during year	509	154,623	382	79,664	235,178
Improvements	18,572	-	-	-	18,572
Transfer from investment property (note 15)	514	-	-	-	514
Transfer (to) / from current assets	-	-	(334)	4,593	4,259
Tenure change	4,998	-	(4,998)	-	-
Transfer on completion	62,608	(62,608)	46,320	(46,320)	-
Disposals - property	(5,461)	-	(9,475)	-	(14,936)
Disposals - components	(7,737)	-	-	-	(7,737)
At 31 March 2022	**2,813,964**	**321,265**	**489,327**	**147,210**	**3,771,766**
Depreciation and impairment					
At 1 April 2021	425,921	-	24,303	-	450,224
Depreciation charge for the year	35,589	-	3,484	-	39,073
Disposals during year	(1,423)	-	(744)	-	(2,167)
Component disposals during year	(6,397)	-	-	-	(6,397)
At 31 March 2022	**453,690**	**-**	**27,043**	**-**	**480,733**
Net book value					
At 31 March 2022	**2,360,274**	**321,265**	**462,284**	**147,210**	**3,291,033**
At 31 March 2021	2,314,040	229,250	433,129	109,273	3,085,692

The cost of land included in the above which is not subject to depreciation is £1,044 million (2021: £1,048 million). The net book value of leasehold land and buildings included above is £416 million (2021: £391 million). Additions to housing properties in the course of construction during the year included capitalised interest of £12.7 million (2021: £9.2 million) at an average interest rate during the year of 3.61% (2021: 3.69%).

The total expenditure on works to existing properties during the year was £88 million (2021: £85 million), of which £18.6 million (2021: £20 million) was capitalised as component replacements.

14. (a) Tangible fixed assets – other fixed assets — Group

GROUP	Land and building £000	Furniture and office equipment £000	Computer equipment & software £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2021	19,213	11,796	16,643	289	47,941
Additions during year	157	13	1,910	208	2,288
Disposal during year	(693)	(7)	-	-	(700)
At 31 March 2022	**18,677**	**11,802**	**18,553**	**497**	**49,529**
Depreciation					
At 1 April 2021	6,533	10,734	13,681	183	31,131
Charge for the year	773	307	1,626	51	2,757
Disposals during year	(482)	(6)	-	-	(488)
At 31 March 2022	**6,824**	**11,035**	**15,307**	**234**	**33,400**
Net book value					
At 31 March 2022	**11,853**	**767**	**3,246**	**263**	**16,129**
At 31 March 2021	12,680	1,062	2,962	106	16,810

The net book value of freehold land and buildings included in the above is £8.8 million (2021: £9.5 million). The net book value of leasehold buildings included in the above is £3.1 million (2021: £3.2 million).

14. (b) Tangible fixed assets – other fixed assets — Association

ASSOCIATION	Land and building £000	Furniture and office equipment £000	Computer equipment & software £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2021	19,213	11,790	16,643	289	47,935
Additions during year	157	13	1,910	208	2,288
Disposal during year	(693)	(7)	-	-	(700)
At 31 March 2022	**18,677**	**11,796**	**18,553**	**497**	**49,523**
Depreciation					
At 1 April 2021	6,533	10,728	13,681	183	31,125
Charge for the year	773	307	1,626	51	2,757
Disposals during year	(482)	(6)	-	-	(488)
At 31 March 2022	**6,824**	**11,029**	**15,307**	**234**	**33,394**
Net book value					
At 31 March 2022	**11,853**	**767**	**3,246**	**263**	**16,129**
At 31 March 2021	12,680	1,062	2,962	106	16,810

The net book value of freehold land and buildings included in the above is £8.8 million (2021: £9.5 million). The net book value of leasehold buildings included in the above is £3.1 million (2021: £3.2 million).

15. Investment properties

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
At 1 April	131,791	147,306	114,201	130,206
Transferred (to) / from housing stock (Note 13)	(514)	522	(514)	522
Disposals	(120)	(20,702)	(120)	(20,702)
Revaluation in year	4,996	4,665	4,716	4,175
At 31 March	136,153	131,791	118,283	114,201

The Group's investment properties are valued annually on 31 March at fair value. They are determined by independent, professionally qualified valuers and undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

Rental deductions for void losses were reflected as bottom line deductions from fair value rather than being reflected via the cashflow calculation.

Valuers made the reasonable assumption that income for the 2022/23 academic year will not be significantly impacted by Covid-19 and benchmarked 2022/23 rents with competing schemes. Rental growth is assumed from the 2022/23 academic year in line with comparables. Assumption reflects the market approach a potential purchaser would take, as at the valuation date. Discount rates used range from 6.76% to 15.5% and net initial yields range from 3.95% to 12.40%. For our Eastbourne site where we our expecting an early termination of the lease, in calculating the net present value of the asset valuers adopted a discount rate of 20%. The cash flows generated incorporate growth assumptions in respect of income and expenditure elements based upon deviations from the RPI target rate of inflation (2.5%).

A rent capitalisation methodology was adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. Where appropriate, for offices with obvious permitted development credentials, a high level residual appraisal was undertaken to underpin the valuation.

The surplus on revaluation of investment property arising of £5.0 million (2021 £4.7 million) has been included in the statement of comprehensive income for the year.

16. Investments in joint ventures

GROUP	2022 £000	2021 £000
At 1 April	7,098	8,846
Cumulative contribution	-	580
Distribution received	(623)	-
Loan repayments	(6,383)	(2,950)
Cumulative share of joint venture profit	2,101	622
At 31 March	2,193	7,098

In December 2018 Optivo Homes Limited, a subsidiary of Optivo, entered into an agreement with Galliford Try Homes Limited (now Vistry Linden Limited) to become a member of Linden (Rainham) LLP. Each party holds a 50% interest in the LLP and 50% of the voting rights. Linden (Rainham) LLP´s principal activity is the development of new homes.

17. Other investments

	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
At 1 April	-	2	13	14
Disposed in year	-	(2)	-	(1)
At 31 March	-	-	13	13

18. Properties held for sale

	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
Completed	37,512	23,867	17,197	21,720
Under construction	63,862	91,900	42,412	44,564
	101,374	115,767	59,609	66,284

19. Trade and other debtors

	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
Due within one year				
Rental and service charge arrears	19,029	17,903	18,942	17,813
Provision for doubtful debts	(4,018)	(3,539)	(4,018)	(3,539)
	15,011	**14,364**	**14,924**	**14,274**
Social housing grant receivable	6,234	7,122	6,234	7,122
Trade debtors	4,821	3,792	5,130	3,423
Other debtors	7,873	7,500	1,934	1,295
Amounts owed by subsidiary undertakings	-	-	222	254
Prepayments and accrued income	7,133	6,042	7,066	5,996
VAT	576	269	-	-
	41,648	**39,089**	**35,510**	**32,364**
Due after more than one year				
Leaseback schemes	1,863	2,148	1,863	2,148
Service charge debtor	9,384	8,327	9,383	8,322
Liquidity fund*	3,399	3,111	3,399	3,111
Other debtors	41	1,236	41	1,236
Amounts owed by subsidiary undertakings	-	-	62,882	69,151
	14,687	**14,822**	**77,568**	**83,968**
Total debtors	**56,335**	**53,911**	**113,078**	**116,332**

*In accordance with one of our borrowing agreements we maintain a Liquidity Reserve Fund with the lender. The Reserve Fund is equal to not less that twelve months' interest.

20. Short term investments

There were no deposits not accessible within 3 months (2021: £Nil). At 31 March 2022, there was £7.0 million (2021: £8.6 million) 'ring-fenced' cash in interest bearing bank accounts relating to cash sums held by the Group for specific purposes.

21. Cash and cash equivalents

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Cash and cash equivalents	85,037	86,780	68,873	74,859
	85,037	86,780	68,873	74,859

Total Group cash and short term investment balances of £85.0 million (2021: £86.8 million) include £12.3 million (2021: £14.3 million) held in separate accounts for 'ring-fenced' sinking funds on behalf of leaseholders and £3.6 million held for South East Consortium (2021: £2.1 million).

22. Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Social housing grant (note 24)	9,766	9,760	9,703	9,696
Interest payable	7,186	12,095	6,475	11,377
Loans and borrowings (note 28)	20,392	212,172	20,392	211,569
Taxation and social security	845	830	845	830
Rent & service charge in advance	25,444	24,259	24,841	23,660
Accruals and deferred income	110,046	67,795	105,333	65,045
Amounts due to subsidiary undertakings	-	-	3,047	3,615
Disposal Proceeds Fund (note 27)	-	257	-	257
Recycled Capital Grant Fund (note 26)	11,680	15,862	11,523	15,771
	185,359	343,030	182,159	341,820

23. Creditors: amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Loans and borrowings (note 28)	1,616,099	1,292,337	1,618,853	1,285,171
Derivative financial instruments (note 28)	21,359	135,991	21,359	133,953
Lease Premium Grant Subsidy	144	177	144	177
Service charge creditor	2,028	2,302	2,028	2,287
Social Housing Grant (note 24)	946,207	922,041	942,876	918,553
Recycled Capital Grant Fund (note 26)	7,794	7,105	7,451	6,738
Other creditors	4,430	94	4,428	94
	2,598,061	2,360,047	2,597,139	2,346,973

24. Social Housing Grant received

	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant - housing properties	955,973	931,801	952,579	928,249
Recycled Capital Grant Fund (note 26)	19,474	22,967	18,974	22,509
Disposals Proceeds Fund (note 27)	-	257	-	257
Cumulative amount amortised	198,815	190,168	197,367	188,743
	1,174,262	1,145,193	1,168,920	1,139,758

25. Social Housing Grant

	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
As at 1 April	931,801	913,574	928,249	909,802
Grants received during the year	29,316	28,196	29,318	28,197
Grant recycled	8,698	4,532	8,698	4,532
Disposals	(4,138)	(4,806)	(4,043)	(4,651)
Grants amortised during the year	(9,704)	(9,695)	(9,643)	(9,631)
At 31 March	955,973	931,801	952,579	928,249
Social Housing Grant	955,973	931,801	952,579	928,249
Cumulative amount amortised	198,815	190,168	197,367	188,743

26. Recycled Capital Grant Fund (RCGF)

GROUP	2022 Homes England £000	2022 GLA £000	2021 Homes England £000	2021 GLA £000
At 1 April	8,671	14,296	7,733	16,236
Grants recycled	1,281	3,618	906	2,599
Grants reclassified	-	-	24	(24)
Interest accrued	18	31	8	17
New development and repairs to existing properties	(8,441)	-	-	(4,532)
At 31 March	1,529	17,945	8,671	14,296
Amount due for repayment to Homes England/GLA				
Within one year	6,236	5,444	6,236	9,626
Within 2 to 3 years	(4,707)	12,501	2,435	4,670
	1,529	17,945	8,671	14,296

ASSOCIATION	2022 Homes England £000	2022 GLA £000	2021 Homes England £000	2021 GLA £000
At 1 April	8,671	13,838	7,733	15,938
Grants recycled	1,281	3,486	906	2,390
Transfers	-	(1)	-	(1)
Transferred from other Group members	-	91	24	26
Interest accrued	18	31	8	17
New development and repairs to existing properties	(8,441)	-	-	(4,532)
At 31 March	1,529	17,445	8,671	13,838
Amount due for repayment to Homes England/GLA				
Within one year	-	11,523	6,236	9,535
Within 2 to 3 years	1,529	5,922	2,435	4,303
	1,529	17,445	8,671	13,838

27. Disposal Proceeds Fund (DPF)

GROUP AND ASSOCIATION	2022 Homes England £000	2022 GLA £000	2021 Homes England £000	2021 GLA £000
At 1 April	257	-	257	-
New development and repairs to existing properties	(257)	-	-	-
At 31 March	-	-	257	-

From 6 April 2017 Registered Providers are not required to pay new proceeds from relevant disposals into a Disposal Proceeds Fund. Any unspent funds at 6 April 2020 were to be repaid to Homes England. Optivo received an extension and used the outstanding balance by March 2022.

28. Loans and borrowings

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Housing loans repayable:				
Within one year	20,392	212,172	20,392	211,569
One to two years	119,585	21,670	119,585	20,938
Two to five years	193,476	158,582	193,476	156,293
More than five years	484,625	556,344	484,625	551,201
Deferred financing costs	(6,120)	(6,681)	(6,047)	(6,557)
	811,958	**942,087**	**812,031**	**933,444**
Loans repayable by instalments, some of which fall due to be repaid in more than five years	818,078	948,768	818,078	940,001
Deferred financing costs	(6,120)	(6,681)	(6,047)	(6,557)
	811,958	**942,087**	**812,031**	**933,444**

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Housing loans repayable:				
Loans and debentures	816,604	947,234	816,604	938,467
Loan premiums	1,474	1,534	1,474	1,534
Deferred financing costs	(6,120)	(6,681)	(6,047)	(6,557)
Net housing loans due within one year and after more than one year	**811,958**	**942,087**	**812,031**	**933,444**
Inter-company loan	-	-	827,214	563,296
Bond	750,000	550,000	-	-
Bond premium	79,316	17,109	-	-
Bond set up costs	(4,783)	(4,687)	-	-
Net bond balance	**824,533**	**562,422**	**-**	**-**
Net borrowings	**1,636,491**	**1,504,509**	**1,639,245**	**1,496,740**

28. Loans and borrowings (continued)

Optivo Group has £1.3 billion loan facilities (excluding the bonds) (2021: £1.6 billion). This includes undrawn committed loan facilities of £523 million (2021: £640 million), of these committed loan facilities £503 million was fully secured at the balance sheet date and available to draw at short notice. Loans are either fixed or variable rates above SONIA. We successfully transitioned all variable loans from LIBOR to SONIA in 2021/22. In 2021/22 the Group increased net loan borrowings by £69 million (2020/21: £19 million).

In addition to the above, at 31 March 2022 the Group has sold to date £750 million of corporate bonds. £150 million was issued between 2012 and 2014, followed in March 2018 by a £250 million 2048 corporate bond. Of the March 2018 bond, £150 million was sold on issue, £25 million sold in April 2019 and £75 million sold in September 2019. In 2020/21 we issued a £250 million 2035 bond (of which we retained £100 million). We also tapped our existing 2043 bond to increase it by £150 million. We entered into forward purchase agreements with investors to sell £100 million for settlement on a deferred basis. We retained £50 million. In 2021/22 we sold the retained £100 million of the 2035 bond. We also settled the £100 million agreement on the 2043 bond.

Included in net housing loans and net bond balance are set up costs of £10.9 million (2021: £11.4 million) capitalised and net of amortisation.

The Group has interest rate swap agreements in place to mitigate the risk of interest rate increases in its floating rate debt. The mark to market liability in respect of the Group's derivative portfolio is £21 million (2021: £136 million). At 31 March 2022 we had 14 swaps in place (2021: 36) covering a notional amount of £235 million (2021: £477 million). During the year fair value gains on the Group's interest rate swaps totalled £55 million (2021: £34.8 million). At the end of March 2022 the Group restructured a significant portion of its swap portfolio. 10 swaps that had a fair value at the restructure date of £61m were replaced via a non-cash exchange for:

- Interest rate swap (the maturity profile starts at £160 million notional and amortises £40 million every four years, a shorter weighted average duration than the original set of swaps. It was reset to par value and showed a small fair value loss at year end.)
- Fixed rate loan (this carries the fair value of the first eight years of the derivatives and is documented as a loan)
- Annuity (this carries the fair value of the last eight years of the derivatives. It is documented under the International Swaps and Derivatives Association agreement where Optivo pays fixed and receives £0, currently classified as a loan).

The swaps exited in the year have been derecognised and the new financial instruments recorded in liabilities. This transaction resulted in an immaterial gain that has been recognised within fair value 'gain on swap derivative instruments' as disclosed in note 11. The remaining swaps are unhedged with any movement in fair value being charged to the statement of comprehensive income.

Adjustment is made to fair value for credit risk where this is considered material. We have two forward starting swaps in 2027 and one amortising swap. The other swaps are on simple terms. The interest rate swap arrangements require payment of a fixed rate ranging from 1.69% to 5.10% and receive a variable rate from the counterparty. The weighted average paying rate of these swaps is 2.74% Following our successful transition away from LIBOR, all our swaps are linked to SONIA. Our swap portfolio has maturity dates ranging from 2024 to 2038. On maturity it is expected that no swap arrangements will attract a significant settlement cost.

Drawn funding bears interest, after taking in to account the impact of derivatives as follows:

	2022 £000	2021 £000
Fixed rate	1,328,778	1,447,988
Floating rate	232,826	49,246
Inflation linked	5,000	-
	1,566,604	1,497,234

At 31 March 2022, 31,700 (2021: 32,790) homes are charged as security to lenders valued at £3.71 billion (2021: £3.46 billion) (based on a mix of existing use value – social housing (EUV-SH) and market values subject to tenancies (MV-T)). Homes and offices are charged to derivative counterparties to meet our mark to market exposure to the extent that this exceeds a threshold agreed between the counterparties.

28. Loans and borrowings (continued)

Board recognises a key risk faced by the Group relates to the ability of the Association to repay loans as they fall due. The Association is exposed to fluctuations in interest rates. The key risks and mitigation strategies are:

- The Group uses derivatives to manage interest rate risk
- The Group undertakes regular revaluation of the property portfolio, ensuring the asset cover required to secure borrowings is maintained. The majority of borrowing is secured against the market value of properties subject to tenancies
- The Group regularly monitors actual and projected compliance with financial covenants, and uses sensitivity analysis to ensure price, liquidity, credit and interest rate risk will not affect the ability of the Group to repay debt to the lender as it falls due or that mitigating actions are taken where appropriate.

29. Financial instruments

The Group's financial instruments are analysed as follows:

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Financial instrument assets	-	-	1,157	-
Derivative financial instrument held at fair value	(21,359)	(135,991)	(21,359)	(133,953)
Derivative financial instruments designated as cash flow hedges of variable interest rate risk	-	(2,039)	-	-

30. Provisions

GROUP AND ASSOCIATION	2022 £000	2021 £000
At 1 April	680	760
Increase / (decrease) in year	560	(80)
At 31 March	1,240	680

31. Contingent liabilities

The timing of any future disposal is uncertain. No provision has therefore been recognised in these financial statements in relation to any potential repayment of grant that may arise in the event of a disposal. The Group holds £37.4 million of grant (2021: £37.4 million) relating to stock swaps which would be repayable to the grant provider in the event that this stock is disposed.

An ongoing court case could potentially impact the value of the OPS liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

32. Non-equity share capital

	ASSOCIATION 2022 £	ASSOCIATION 2021 £
At 1 April	50	50
Issued in year	2	3
Cancelled in year	(4)	(3)
At 31 March	48	50

Every member of the Association holds one share of £1. These shares carry no dividend rights and, on cessation of membership of the Association, are cancelled and the amount paid becomes the property of the Association. Each member has the right to vote at members' meetings.

33. Capital commitments

Expenditure on developments

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Capital expenditure contracted for but not provided for in the financial statement	432,799	498,359	413,805	461,675
Capital expenditure which has been authorised by the Board but not yet contracted for	282,824	43,714	282,824	43,714

The amount contracted for at 31 March 2022 will be funded from grants approved by Homes England / GLA 8% (2021: 7%) or will be financed from property sales 43% (2021: 44%) and private loans / cash generated from the business 49% (2021: 49%). Under regulations approved by Board, expenditure to certain levels may be authorised by appropriate officers, and such authorised expenditure is included above.

Expenditure on components

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Capital expenditure contracted for but not provided for in the financial statement	27,825	17,815	27,798	17,815
Capital expenditure - replacement component authorised by the Board but not yet contracted for	3,991	669	3,991	669

The amount contracted for at 31 March 2022 will be funded by cash generated from the business.

34. Commitments under operating leases

At 31 March 2022 the Group and Association had total commitments under non-cancellable operating leases as follows:

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Land and buildings				
Leases expiring within one year	949	1,051	949	1,051
Two to five years	3,339	3,655	3,339	3,655
Over five years	5,200	5,488	5,200	5,488
	9,488	10,194	9,488	10,194
Other				
Leases expiring within one year	230	182	230	182
Two to five years	253	251	253	251
	483	433	483	433
Total	9,971	10,627	9,971	10,627

35. Related party disclosures

The ultimate controlling party of the Group is Optivo, a registered social housing provider. There is no ultimate controlling party of Optivo.

Optivo considers the key management personnel to be the Board and Executive Team. The only transaction between Optivo and the key management personnel is remuneration which is set out in notes 7 and 8.

Optivo participates in five defined benefit pension schemes. The transactions with these pension schemes are set out in note 36.

The following managed undertakings are subsidiaries by virtue of the ability of the Association to control the composition of their Board or by holding the majority of shares. The Association owns 100% of the shares of each of the undertakings listed. In accordance with financial reporting standards, the results of the undertakings are incorporated in the consolidated accounts. Where indicated, subsidiaries are Registered Providers of Social Housing (RPSH).

Name of undertaking	Country of registration	Principal activity
Amicus Group Limited	UK RPSH	Registered social housing provider
Optivo Finance plc	UK PLC	Bond issuing vehicle
Avenue Lettings & Management Limited	UK	Dormant
Crystal Palace Housing Association Limited	UK RPSH	Registered social housing provider
Eason Gruaz Homes	UK Charity	Social housing provider
The Fresh Visions People Limited	UK Charity	Registered Charity
Charity of Julia Spicer for Almshouse	UK RPSH	Registered social housing provider
Lamborn Estates Limited	UK	Property development
Middlesex First Limited	UK	Manages student accommodation
Optivo Development Services Limited	UK	Property development
Optivo Homes Limited	UK	Holding company
Optivo Enterprise Limited	UK	Dormant

	2022 £000	2021 £000
Investments		
Amounts owed by related parties at year end	2,193	7,098

35. Related party disclosures (continued)

Linden (Rainham) LLP
Optivo Homes Limited, a subsidiary of the Group, is a member of Linden (Rainham) LLP, a 50:50 joint venture established with Galliford Try Homes Limited (now Vistry Linden Ltd) to develop a scheme. The Group received £4.9 million (2021: £3 million) from the joint venture in the year and made no contributions (2021: £0.6 million).

Ink Development Company Limited
The Association is a member of Ink Development Company Limited, a vehicle set up with West Kent Housing Association and Russet Homes to jointly acquire sites and develop schemes. Russet Homes ceased membership in 2014. The following transactions took place during the year:

	2022 £000	2021 £000
Net sales and purchase of goods and services	7,952	10,780
Debtors due to Ink Development Company Limited	1,746	1,678
Creditor due from Ink Development Company Limited	996	789
Administration fees	207	311

Management services
The Association provides central management services to its subsidiaries. The quantum of the 2021/22 charges applied for these services to each subsidiary is as follows:

	2022 £000	2021 £000
Optivo Development Services Limited	2,230	1,583
Lamborn Estates Limited	118	187
Crystal Palace Housing Association Limited	204	147
Eason Gruaz Homes	7	4
The Fresh Visions People Limited	3	3
Charity of Julia Spicer for Almshouse	10	11
Total	2,572	1,935

The Association transacted with the following entities which are not themselves registered providers:

Name of undertaking	Nature of the Transaction	2022 £m	2021 £m
Optivo Finance plc	Inter-company loan to Optivo		
	- bond issue	(200.0)	(150.0)
	- concessionary loan	(63.9)	-
Optivo Development Services Limited	Development cash flow	(122.6)	(142.1)
Lamborn Estates Limited	Inter-company loan to Lamborn	(0.1)	19.7
Linden (Rainham) LLP	Contribution to JV	-	(6.4)
Ealing Care Alliance Limited	Care services	-	1.4

Interest on the Optivo Finance plc loan is charged at the same equivalent rate of the external loans with no mark up by Optivo Finance plc. Interest charged in the year was £24.6 million (2021: £20.3 million).

Interest on the Lamborn Estates Limited loan is charged at SONIA plus 5%. Interest charged in the year was £2.3 million (2021: £2.0 million).

36. Pension commitments

Optivo participated in five defined benefit schemes for its employees during the year. These were the Optivo DB Pension Scheme (OPS), Horizon Housing Group Pension Scheme (HHGPS) and three Local Government Pension Schemes: East Sussex County Council Pension Fund (ESCC), Kent County Council (KCC) and the London Borough of Barnet (LBB). The assets of the schemes are held separately from those of the Group and are managed by trustees. The contributions are determined on the basis of triennial valuations using the projected unit method. These schemes are all closed to new members. The latest triennial valuations were carried out as at 30 September 2020, 31 March 2020 and 31 March 2019 for the three Local Government Pension Schemes respectively.

Optivo also operates a defined contribution scheme for the majority of its employees.

Two commercial properties have a charge to secure the liabilities on HHGPS. The respective properties are valued at £2m.

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

The following disclosures are the aggregate for OPS, HHGPS, KCC, ESCC and LBB. To the extent that the disclosure for any individual scheme show a surplus it has been treated as irrecoverable. As at the current year end the total irrecoverable surplus is attributable to ESCC.

	2022 £000	2021 £000
Funding position at 31 March		
Share of assets	211,636	196,444
Estimated liabilities	(233,412)	(238,249)
Net deficit	(21,776)	(41,805)
Unrecognised Surplus	(1,489)	-
Net deficit	(23,265)	(41,805)

	2022 £000	2021 £000
Amounts charged to operating surplus for year to 31 March		
Current service cost	1,097	888
Administration expenses	273	229
Past service costs	-	13
Total operating charge	1,370	1,130

36. Pension commitments (continued)

	2022 £000	2021 £000
Amounts charged to interest and financing cost for year to 31 March		
Net interest cost	780	660

	2022 £000	2021 £000
Amount recognised in statement of comprehensive income for year to 31 March		
Actual return less expected return on assets	6,742	20,918
Experience (loss)/gain	(2,701)	4,810
Change in financial and demographic assumptions	8,001	(42,852)
Change in unrecognised surplus	(1,489)	-
Total actuarial gain or (loss)	10,553	(17,124)

	2022 £000	2021 £000
Analysis in movement in surplus in year to 31 March		
Deficit at beginning of the year	(41,805)	(33,717)
Total contributions	10,137	10,826
Current service cost	(1,097)	(888)
Past service costs	-	(13)
Other finance costs	(780)	(660)
Administration expense	(273)	(229)
Actuarial gain/(loss)	12,042	(17,124)
Deficit in the scheme at the end of the year	(21,776)	(41,805)
Unrecognised surplus	(1,489)	-
Net deficit	(23,265)	(41,805)

	2022 £000	2021 £000
Reconciliation of opening and closing balances of fair value of assets as at 31 March		
Opening fair value of assets	196,444	165,855
Expected return on assets	4,135	3,927
Actuarial gain on assets	6,742	20,918
Contributions by the employer	10,137	10,826
Contributions by the participants	311	357
Administration expense	(273)	(229)
Net benefits paid out	(5,860)	(5,210)
Closing fair value of assets	211,636	196,444

36. Pension commitments (continued)

	2022 £000	2021 £000
Reconciliation of opening and closing balances of the present value of scheme liabilities as at 31 March		
Opening present value of liabilities	238,249	199,572
Service costs	1,097	888
Change in assumptions	(8,001)	42,852
Interest costs	4,915	4,587
Contributions by participants	311	357
Experience gain/(loss)	2,701	(4,810)
Net benefits paid out	(5,860)	(5,210)
Past service costs	-	13
Closing present value of liabilities	233,412	238,249

Split of plan assets
The major categories of plan assets as a percentage of total plan assets were as follows:

OPS	2022	2021
Equities	18%	16%
Bonds	44%	46%
Property	5%	4%
Cash	2%	4%
Other	32%	30%

HHGPS	2022	2021
Equities	0%	37%
Bonds	92%	42%
Absolute return funds	5%	21%
Cash	3%	0%

Local Government Pension Schemes	2022	2021
Equities	64% - 74%	59% - 76%
Bonds	14% - 27%	13% - 27%
Property	4% - 12%	4% - 10%
Absolute return funds	0% - 7%	0% - 7%
Cash	2% - 3%	2% - 10%

36. Pension commitments (continued)

Mortality
Life expectancy is based on the Funds' VitaCurves with improvements based on CMI2020 models.

Based on these assumptions, the average future life expectancies from retirement age are summarised below:

	2022	2021
Current male pensioners	21.2 - 22.0 years	21.1 - 21.9 years
Current female pensioners	23.6 - 24.4 years	23.5 - 24.4 years
Future male pensioners	22.0 - 23.6 years	21.9 - 23.4 years
Future female pensioners	25.1 - 26.1 years	25.0 - 26.4 years

Financial assumptions
The main financial assumptions at 31 March each year were as follows:

	2022	2021
Rate of general long term increase in salaries	3.5% - 4.7%	2.9% - 4.2%
Rate of increase in pension payment	3.2% - 3.8%	2.9% - 3.3%
Discount rate	2.6% - 2.8%	1.9% - 2.2%
Inflation assumption (CPI)	3.2% - 3.5%	2.6% - 3.1%

37. Post balance sheet event

In June 2022 Optivo Finance plc issued and retained £100 million bonds. This was a tap of the 2035 bond and will form a single series, taking the total size to £350 million.

Other company information

Board Members, Executive Officers and Advisers

Optivo Board

Sir Peter Dixon
Chair

Eugenie Turton CB
Vice Chair

Andy Burder

Chris Tinker
Chair of Growth Committee

Damien Régent
Chair of Audit & Risk Committee

Geanna Bray
Chair of Customer Experience Committee

Grace Alaneme

Howard Cresswell
Chair of People, Governance &
Remuneration Committee

Michelle Dovey
Chair of Treasury Committee

Paul Hackett
Chief Executive

Kanye Kola
Resigned 22 February 2022

Nick Stephenson
Resigned 8 May 2022

Optivo Executive Team

Paul Hackett
Group Chief Executive

Sarah Smith
Chief Financial Officer

Jane Porter
Chief Operating Officer

Joanne Stewart
Executive Director for People

Richard White
Executive Director Development & Sales
Appointed 1 December 2021

Kerry Kyriacou
Executive Director Development & Sales
Resigned 30 November 2021

Secretary & registered office

Alison Wignall
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