OPTIVO

Financial Statements 2020-21

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01 Highlights

About Optivo

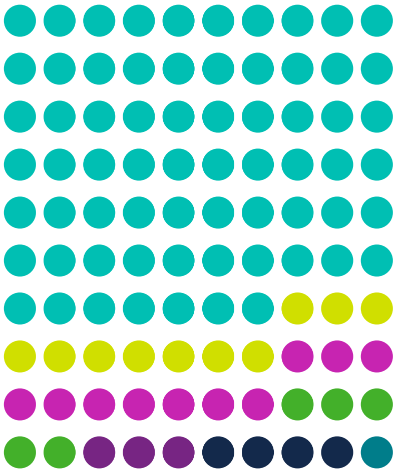
At Optivo we know the importance of living in a safe and secure environment and how this enables people to flourish. We're one of the largest housing providers in the UK with just under 45,000 homes in London, the South East and the Midlands, giving 90,000 people somewhere affordable to call their own. 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 are 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 and live their best lives.

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 has had a massive impact on so many people's lives and our social purpose is more important than ever. Our Social Impact Statement for 2020-2025 underpins our corporate objective on creating jobs and training. The employment activities run by Optivo offer a huge range of benefits including increasing job prospects and improved health and wellbeing. And we're creating support programmes that match residents' skills and talents to job opportunities. 1,641 people accessed our employment support service in 2020/21. This year their needs have been somewhat different with focus given to re-train and re-skill. We monitor the local job markets and are delivering online sector specific training to help people gain qualifications and bridge the skills gap. It's meant residents can access training virtually, gain a sector based qualification and move onto searching for a new job. It's been a one team effort identifying residents most in need of support, which was boosted through our Residents' Resilience Campaign.

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 18 years the charity has helped transform the lives of hundreds of young people and our staff are 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 over a million people on council waiting lists and thousands of families in temporary homes, the housing crisis remains a critical national issue. An urgent need for affordable housing continues to affect many of the communities we work in. Our primary objective is to maximise the delivery of new affordable homes and these will form most of our development programme over the next few years.

We are 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 (3-5 years) and longer term (over 5 years) sites that will each deliver between 50-300 homes. As well as larger sites we deliver independently, we are also seeking opportunities linked to planning, Joint Ventures and Option Agreements.

85% of our planned programme is for affordable housing with just 15% 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 2020/21

For the year to 31 March 2021 (31 March 2020)

Financials

Turnover
£332m (£322m)

Operating surplus
£104m (£90m)

Net surplus
£90m (£18m)

New sales receipts
£46m (£31m)

Social Housing cost per unit
£4,378 (£4,425)

Operating margin
* **23.6%** (23%)

Moody's Credit rating
A3 stable (A2 negative outlook)

Total assets
£3.5bn (£3.4bn)

Net debt
£1.4bn (£0.9bn)

Operational

Overall satisfaction with service
88.7% (94.5%)

Satisfaction with quality of home
92.5% (new)

Repairs satisfaction
96.8% (97.7%)

Neighbourhood satisfaction
92.3% (90.7%)

Current arrears
4.1% (4.3%)

Void rent loss
1.1% (1.6%)

EPC band C and above > 69%
70.8%

Gas safety
99.9% (99.7%)

Regulator rating
G1 / V1 (G1 / V1)

* Operating margin is adjusted to exclude surplus on disposals

Development & Investment

New home starts
1,002 (1,500)

New homes developed and let
552 (838)

New homes developed
577 (693)

Homes under construction
2,812 (3,064)

Homes in management
42,599 (43,155)

New homes spend
£190m (£183m)

New homes pipeline
£0.5bn (£0.6bn)

Investment in existing homes
£20m (£20m)

People into jobs & training
1,246 (1,256)

Chair's Statement

As I look back on the last year, I'm very proud of what Optivo has achieved. We entered the year in lockdown as the Covid-19 pandemic hit the country. Right from the first lockdown we quickly implemented many new processes and ways of working. This would not have been possible without the willingness and ability of our people to cut through hurdles to achieve our goals. We showed just how quickly we could adapt to the challenging circumstances, redeploying resources to ensure we provided help where it was most needed. For many of our residents the last year has been a lonely and isolating time. Our Residents' Resilience Project made over 134,000 proactive calls – a lifeline to many of our more vulnerable and older residents living alone. The project also supported residents to access food and fuel vouchers and enabled many families to stay connected by providing access to a range of digital devices.

Our business proved to be financially and operationally resilient. Some activities were harder hit than others, but overall our results for 2020/21 underpin our business model focusing on investment in core social housing activities. Void levels increased in our independent living and student accommodation schemes. But we made some operational savings with the majority of our colleagues working at home, and arrears reduced to 4.1% - their lowest level for 3 years.

At times through the year we had to move to only delivering essential repairs services, to manage the impact of residents self-isolating or understandably being nervous about allowing access in to their homes. We are mobilising extra resources now to quickly catch up on the backlog of repairs. Despite the challenges in carrying out repairs, resident satisfaction remained high at 88.7%.

We achieved both our development starts and completions targets even though in the early days of lockdown sites were closed, and on re-opening social distancing guidelines had to be observed. We also started a multi-million pound development of new homes for NHS key workers at St Peter's Hospital, Chertsey, due to complete in 2023.

Fire safety and the issue of leasehold recharges has continued to be a very challenging issue that goes far beyond the social housing sector. The Government announced plans to fund cladding replacement for buildings over 18 metres and to provide loans for buildings between 11-18 metres. We await details of how the loans will work. In the meantime, we are committed to exploring all avenues for third party claims to reduce the impact of recharge to our leaseholders and Optivo so far as is reasonably possible.

Our Building Safety Programme continues to ensure we track the Government framework for compliance. We regularly update our financial plans as more information becomes available from the programme, and where necessary take mitigating actions to ensure we remain a financially strong business. This has included easing back on our development plans to 2023 in order to deal with costs arising from the building safety crisis. We are directing our investment capacity to social housing tenures i.e. shared ownership and general needs housing.

Sustainability is becoming an ever more important consideration for businesses with a growth in Environmental, Social and Governance reporting requirements. As an early adopter of the Sustainability for Housing Standard, we will publish our first report against the Standard by October 2021. I'm pleased that Optivo achieved SHIFT (Sustainable Homes Index for Tomorrow) "Gold" accreditation for the third successive year. SHIFT covers all aspects of our operations including the energy efficiency of our homes and business, and the support and advice we provide for residents. We ended the year with 70.8% of our homes achieving EPC Band C rating or better, against a target of 68%. We are working with the National Housing Federation to set out the roadmap to achieve Net Zero Carbon by 2050, but Government's recent announcement to accelerate plans for reducing carbon emissions are likely to have significant implications for housing associations. We're keen to develop a series of policy proposals in time for COP 26 in November 2021.

We're very pleased the Regulator of Social Housing reconfirmed Optivo's G1/V1 judgement having completed an in depth assessment during lockdown in 2020 – a testament to the hard work and dedication of everyone involved in Optivo. In October 2020 Moody's updated our credit rating from A2 (negative outlook) to A3 (stable outlook).

Resident engagement has always been a really important part of Optivo. I'm delighted we approved a new Co-creation framework during 2020. We define co-creation as staff, residents and stakeholders working together as equals to design brilliant services. The framework supports the delivery of our 2020-25 Strategic Plan which makes co-creation a major priority for the organisation. We had launched our Strategic Plan just ahead of the pandemic, setting out our ambitions to transform Optivo's services to deliver sector-leading customer satisfaction. Although the world has changed significantly in the first year of our Plan, our strategic focus is even more fitting given events of the last year.

I'm proud that our involved resident Monica Barnes MBE and our CEO Paul Hackett CBE were both recognised in the 2021 New Year Honours list. Monica has spent over a decade working with us to shape and lead one of the most successful tenant involvement approaches in the social housing sector. And in the Queen's Birthday Honours involved resident Rosie Ley has been awarded a BME for her work on residents' and fire safety. For more than two decades she's been a leading tenant representative at Optivo.

We had very sad news in July 2020 when Glen Cady, Chair of our Resident Strategy Group passed away. Glen got a great deal of satisfaction from the difference he made at Optivo over many years of dedicated service. He played an enormous role in making our resident governance and services what they are today.

As the country is starting to come through the pandemic we are now looking to the future, assessing what we've learnt as a business and resetting how we will work in the future. As focus begins to switch to economic recovery I suspect 2021/22 will be no less challenging than the year we have all just come through. I 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
14 July 2021

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 2021. These consolidated accounts are also available on our website www.optivo.org.uk.

Our Business Model

Who we are

We are one of the largest housing providers in the UK. We have just under 45,000 homes across London, the South East and the Midlands. Our vision is Building Homes, Making Places, Enhancing Lives. Our core business of providing homes for people who need them is founded on maintaining a strong social purpose. 95% of the group's business (by income) is undertaken by Optivo, the charitable parent organisation. New build activities are carried out through Lamborn Estates for open market sales schemes, 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. £50k is invested in our finance company Optivo Finance Plc. The sum of equity investment in dormant companies, charities and Registered Providers is nominal at £13. We currently have one project specific company within the group, Middlesex First Limited to which Optivo provides an equity loan of £1.6 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 needs and priorities. Last year we helped over 1,240 people back in to 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're also funding a development programme and last year we started 1,002 new homes. We use our existing housing portfolio to secure new funding to support our development ambitions. 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

77% of our turnover comes from rent and service charges and 14% from the sale of first tranche and outright sales properties. Our operations generated £141 million cash last year. Cashflow generation together with net funding of £19 million and grant receipts of £28 million last year helped us to maintain a high level of investment back in to existing and new homes plus new developments. At year end we had committed £498 million in capital investments on developments already in contract and a further £44 million investment on developments which has been approved but is 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 staff, 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 69) • Policy documents and corporate reports published on our website • Customer experience guide issued • Volunteering opportunities offered • Money & benefits guidance available • Employment & digital support provided • Energy efficiency advice offered • Safeguarding – we are committed to safeguarding the wellbeing of all residents living in our homes • Satisfaction surveys carried out • Social media presence • On line service 'MyAccount' • Innovative rent flex pilot allowing 350 residents to have flexible rent payment options.	• Residents on line 66% • Overall satisfaction 88.7% • Repair satisfaction 96.8% • Neighbourhood satisfaction 92.3% • Gas safety 99.9%.
Staff Key to the delivery of all we do is our staff. 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 88.6% • Average days sick per employee 7.

Stakeholder	Key engagements	Outcomes
Investors / funders We are 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 these 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 £300 million new debt finance during 2020/21 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 opportunities for residents in terms of jobs and training. 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 & 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.	Performance within KPI parameters: • 84% payment within two weeks of term. Social Value deliverables: • 9 providers promoting vacancies through our Employment Support team • 7 job offers, apprentices or work placements • 13 Providers contributing to our charity, Fresh Visions • 31 training sessions delivered for residents.
Universities & NHS Trust partners We work in partnership with our NHS Trusts to provide key worker homes. Our student accommodation assets serve a number of 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.	• 96% occupancy in NHS key worker accommodation • 75% occupancy in direct let student accommodation • Net promoter score students minus 8 • Net promoter score keyworkers minus 6.

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 Homes England and 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. Social Impact Statement in place, residents, staff and board members make a positive difference to our communities - one team working together. We have a Neighbourhood and Estates Statement in place, highlighting our commitment to Making Places. We tackle antisocial behaviour, crime and domestic abuse. We dealt with 1,211 anti-social behaviour cases in 2020/21, an increase of 17% on the previous year including 30% more domestic abuse cases.	• 94% of office consumables are responsibly sourced • 7,242 residents engaged on energy & water use in their homes • 71% of homes are at EPC band C and above • 1,246 people into jobs and training • 2020 Gold Sustainable Homes Index for Tomorrow (SHIFT) standard achieved.

Strategic Plan 2020/25 Co-creating our future

We launched our five year plan in April 2020.

What Optivo will look like in 2025

By 2025, residents will be able to access the services they need from Optivo at a time and place that suits them via our easy to use online offer. In every other aspect of life residents expect to be able to book and track services and give feedback at the touch of a button. We must keep up with changing consumer expectations. Our services will be accessible using a range of devices including computers, tablets and smart phones. And by delivering more services digitally, we'll free up colleagues' time to provide more support by phone or in person to residents who need it. Our front-line colleagues will be equipped with the technology to deliver quick and efficient services in residents' homes. Our use of predictive and smart building technology will transform the way we invest in and look after homes, ensuring they're maintained to a high quality, are safe and environmentally sustainable. By embracing technology we'll transform our service offer, saving time and money and improving resident satisfaction. The savings we make will be invested in improving homes and building more affordable housing. Other social landlords will have similar ambitions. What makes us different is our commitment to working with residents and colleagues as 'one team' to deliver this vision. We know that by working together to solve real world problems we're better able to design services that resident's value and that can be scaled across the business.

We're delivering our mission and 2025 vision through six strategic priorities. Each of these priorities is underpinned by headline targets. Progress against these targets is monitored by six Strategic Target Governance Groups, each chaired by a Leadership Team member. And our Board hold the Executive Team accountable for delivery.

Priority 1

Invest in the quality, safety and environmental sustainability of homes

Satisfaction with quality of home by 2025

92%

Year 1

Target

90%

Actual

92.5%

Band C Energy Performance Certificate by 2025 (SAP rating)

80%

Target

67%

Actual

71%

By 2025 our homes will be safer and greener and residents will be more satisfied with the quality of their home. Resident safety is our top priority. We plan to invest £251 million in enhancing the fire safety of our buildings over the next ten years and we'll work with our residents to examine how we can create changes to buildings and culture to reduce fire risk. We'll green our homes and reduce fuel poverty with an ambitious retrofit programme.

Priority 2

Provide great customer experience

Resident satisfaction by 2025

95%

Year 1

Target

93%

Actual

88.7%

By 2025 we'll achieve sector-leading resident satisfaction of 95%. We'll have invested £9 million in technology to digitally transform the way we work which will allow residents to access more personalised services wherever and whenever suits them. We'll harness technology to revolutionise the management of our buildings and drive up the quality of new homes. Colleagues will spend less time on processing, with automation freeing up their time to provide more 1:1 support face-to-face and by telephone to residents who need it.

Priority 3

Be a leading provider of high quality affordable new homes

Homes started by 2025

5,500

Year 1

Target

1,000

Actual

1,002

By 2025, we'll have started the construction of 5,500 new homes 85% of which will be affordable. We'll have a new approach to building homes, acting as the lead developer and relying less on being a Section 106 partner. This will give us more control over the design and delivery of new homes. And it will allow us to build thriving, sustainable neighbourhoods with an inclusive mix of tenures. We'll build greener and more energy efficient homes, reducing both our climate impact and fuel poverty.

Priority 4

Creating jobs and training opportunities in our communities

People into jobs and training by 2025

5,000

Year 1

Target

1,000

Actual

1,246

By 2025, we'll have involved 20,000 people in personal development activities, with 5,000 of these completing training and progressing into jobs.

We'll have boosted the confidence, skills and well-being of Optivo residents and others who take part. This will help to build stronger, more resilient communities and equip residents with the tools to maximise their potential. Our work will be co-designed with residents to secure the greatest impact.

Priority 5

Be an inclusive and diverse organisation

Employee satisfaction by 2025
85%

Year 1
Target
80%

Actual
88.6%

By 2025 we'll have an inclusive, engaged and motivated workforce with high levels of customer satisfaction. We'll invest in our culture, working environment and digital tools to unlock greater productivity, innovation and high levels of performance. We'll be recognised as sector leading for diversity and our work in proactively breaking down barriers to genuine inclusion. Our Board, colleagues and involved residents will be representative of the communities we serve.

Priority 6

Run an efficient business

Operating margin
24.3%

Year 1
Target
24.3%

Actual
23.6%

By 2025 we'll secure better value for money, enabling us to invest in delivering our mission and social purpose. Digital transformation will be central to this, allowing us to use automation to provide services which are both quicker for residents and more cost efficient. We'll have improved financial strength to support increasing investment in new and existing homes. And we'll use our buying power to assert our social purpose through procurement, challenging suppliers to deliver social & environmental benefits. We'll have generated £6.6 million of efficiency savings through our procurement, by increasing the use of technology and reviewing the way we work.

Delivering our ambitions depends on great staff, involved residents, committed partners and funders who share our values.

Our CORE values

We put people first and are proud of our culture which is underpinned by our CORE values:

C O R E

Customer focused

We take ownership and responsibility, are positive and engaging and put residents at the heart of everything we do.

One team

We work together and support each other, are united behind our goals and never pass the buck.

Respect

We show consideration, treat everybody with fairness and value our fellow colleagues.

Enthusiastic

We go the extra mile, are passionate about achievement and eager to learn.

Our social purpose

Our social purpose is the foundation for all of our work. We are determined to maximise the positive difference we make to society and to minimise our impact on the climate.
We'll achieve this by ensuring five key principles run through everything we do:

Not for profit

We reinvest all of our surplus in improving our stock, building new homes and providing great services.

Co-creation

We'll work in genuine partnership with our residents by co-creating our services and by leading the way in transparency.

Sustainable

We'll work hard to reduce the climate impact of every aspect of our work.

Inclusive

We'll harness diversity at all levels of our organisation, creating workplaces and communities where everyone can thrive.

Fair and ethical

We'll be value driven in the way we work and what we expect from our suppliers.

Investing in our people

In 2020/21 we achieved:

7.7%
voluntary staff turnover

88.6%
satisfaction with employer

Our residents are at the heart of everything we do. We're passionate about offering the best service possible and believe a strong culture gives us the foundations to do this. Our values and behaviours are embedded in everything we do, they're what's made us one of the UK's leading housing associations for customer satisfaction. They also help our staff to thrive and progress in a supportive environment that values diversity and the richness diversity brings to all aspects of their work.

We live in a diverse world, we provide services to a diverse group of residents and we want our teams to reflect that. We embrace cultural diversity in the workplace and value the strength it brings us as an organisation. We know employees who can be themselves at work will be happier and more productive. We're continuously working with residents, customers, partners and suppliers to improve equality, diversity and inclusion. How we recruit, engage and progress our staff is connected to a strong, outcome-driven Equality, Diversity and Inclusion (EDI) strategy. Our EDI Group is leading the way and acts as a sounding board for our internal and external stakeholders. This group is dedicated to helping everyone at Optivo feel they can be themselves and see their differences as a strength rather than a barrier to success.

We sponsor the Leadership 2025 initiative which aims to address the imbalance of BME (Black and minority ethnic) professionals in leadership roles across the sector by offering an intensive nine-month business school accredited programme and mentoring with the aim of preparing them to become the sector leaders of the future. We're members of the Housing Diversity Network (HDN) and provide mentoring opportunities for colleagues each year, opening doors to new experiences and opportunities from across the sector.

We support a number of Equality, Diversity and Inclusion networks, are members of Stonewall and work every day to create a fully inclusive environment for everyone. We're a Disability Confident employer and are absolutely committed to getting the right people for the right job no matter their characteristics. We also provide support to ensure individuals from protected groups have specific forums for discussion and channels to initiate change.

These include:

- Wellbeing and disability forum (care, long-term mental and physical health, disability, reasonable workplace adjustments)
- Women's networking group
- LGBT (Lesbian, Gay, Bisexual, Trans people) networking group
- BAME (Black, Asian and Minority Ethnic) networking group
- Multi-faith support group.

Through our Single Equality Scheme we are committed to providing equal opportunities to staff and proactively encourage an inclusive workplace. Staff diversity is a key indicator. At 31 March 2021 our people profile was: 26% black and minority ethnic, 59% female and 7% had declared a recognised disability. As an equal opportunities employer we encourage applications from people with disabilities. We make appropriate adjustments for employees with disabilities to help them remain in employment.

Gender and Diversity Pay

We take inclusivity and diversity seriously and feel so strongly about this, we've not only set targets at the highest level, but have also chosen to publish our ethnicity pay and bonus data as well as our gender pay and bonus data.

The challenges associated with gender and ethnicity pay gaps are complex, deeply influenced by wider society and will take time to address. We're working hard to make real change happen at Optivo. We're co-creating our action plan with colleagues. This year we'll build on our successes to continue to drive our ambitions. We'll use our improved data to develop deeper understanding of our diversity gaps and the implications of this across all levels of our organisation to inform action. We'll articulate what this looks and feels like, so those looking to join us and those already part of our team know Optivo is an organisation that welcomes all. That we're devoted to creating an inclusive culture, which is made up of diverse people who can be themselves every day. We'll use this philosophy to embed inclusive practice in everything we do.

We'll continue to engage and carry out research to better understand the lived experience of our colleagues. This will enable us to target action in the right place. During the Pandemic we've shown we can adapt quickly and we're taking advantage of this; using the energy and momentum we've built up to offer more flexible ways of working. This will enable us to attract a more diverse range of people and bring increased diversity of thought, background, and innovation into the way we work, deliver services to our residents and develop our organisation.

Comparison	2020/21	2019/20	2018/19
Gender pay gap as a mean average	12.01%	13.40%	12.60%
Gender pay gap as a median average	5.77%	7.80%	7.80%
Bonus gender pay gap as a mean average	2.81%	4.70%	5.00%
Bonus gender pay gap as a median average	0.00%	0.00%	0.00%
Proportion of males receiving a bonus payment	77.34%	71.70%	33.40%
Proportion of females receiving a bonus payment	86.68%	78.80%	40.60%

Our 2021 report is based on data at 5 April 2020, we had 1,330 employees on this snapshot date. Our gender pay gap, in both mean and median terms has reduced, with a mean average gap of 12.01% and a median gap of 5.77%, down from 13.4% and 7.8% respectively in the previous reporting period. This shift has largely been caused by the sale of our Ealing Care Alliance service, which had a number of females working in this area, in roles which tended to be at some of our lowest salary levels. This has also impacted the quartile data as it has removed many of our lowest paid roles, and therefore at all levels except the top quartile, the balance of men and women more evenly matches the overall gender balance of the organisation.

This year we'll build on our solid foundations focusing on:

- Embedding diversity data into our everyday decisions, especially around recruitment and promotion
- Encouraging a strong employee voice, understanding what our people need by talking to them directly. This will drive development activity, including apprenticeships so we're reaching the right people at the right time. We'll identify what skills we need for the future and plan for those now, by building the skills and knowledge of our people to see us into the future
- Ensuring our recruitment practice and 'welcome all' approach is embedded, celebrated and promoted in all we do
- Enabling more agile and flexible working, creating greater ability to attract a wide range of diverse talent and increased possibilities for internal opportunities for existing colleagues.

Employees

At 31 March 2021 we had 1,434 full time equivalent employees. We consult and involve colleagues on all aspects of our operations through: Staff forum, Union meetings, team meetings, email communications, newsletters and our intranet. It's essential our people are engaged with our objectives and are motivated to provide excellent customer service. We had 171 employees earning over £60,000.

New Ways of Working

The Coronavirus pandemic has changed the way we work. Colleagues adapted very quickly to the challenges faced. This year our people have been involved in co-creating and shaping the way we'll work in the future. We're now finalising plans for new ways of working (NWOW). We're committed to providing high quality services to our residents while supporting staff to have more flexibility and autonomy at work to do their job more effectively.

NWOW Framework

Our NWOW aims to create an environment where:

- ✓ A multi-generational, inclusive and diverse workforce can develop and thrive.
- ✓ Colleagues are empowered and have greater autonomy to try new ways of improving our service.
- ✓ Decisions are not always made by the most senior person; they are made by those best placed to make them locally within a broad framework.
- ✓ We continue to remove unnecessary bureaucracy.

We recognise this new approach will not be a one size fits all. It's based on equipping and enabling our people to choose a mix of working styles while remaining focused on providing high quality services to our residents. This could be at home, in the office, on the front line or a combination. The objective is for all colleagues to have the technological support to enable effective agile working, greater collaboration and co-creation whether virtually or in person.

What this means in practice

NWOW is a whole organisation effort which will involve incremental changes across Optivo. This will enable us to adapt quickly in response to the rapidly evolving environment in which we operate. The following key areas will be involved in implementation:

Our People	Our Technology	Our Culture & Communications	Our Policies	Our Offices
Options to work from home	New technology platform	Ensue our CORE culture is fit for our new ways of working	Overarching frameworks to guide action & decision making	Fewer offices but more collaborative space for meetings, catch-ups and collaboration
Continuous performance management based on outputs	More interactive digital tools	Develop a day-to-day framework to tackle cross-team projects		
Regular "check-ins"	More opportunities to self-serve	Embed a culture of improving our ways of working into all we do	Shorter policies & processes supporting quicker decision making	More use of partner offices to get closer to our residents and partners
Blended approach to learning	More automation of day to day processes	Culture brought to life by regular engagement activities		

Benefits and Measuring Success

NWOW has benefits for residents, for colleagues and for Optivo:

For residents: A highly motivated workforce, with the tools flexibility and support to deliver great quality and more responsive services.

For colleagues: Improved work-life balance, well-being and a reduction in travel, all leading to greater job satisfaction and engagement.

For Optivo: Reduced costs, improved productivity and better value for money. Improved performance and higher resident satisfaction through more responsive, efficient and effective services.

Future New Ways of Working

Phase one of our NWOW is now completed. We've developed a Culture Web and our NWOW Framework. Phase two will focus on mobilising our staff, people managers, offices and technology to transform the way we work. Phase three will further embed NWOW and our culture and also evaluate what is working well and not so well. Our new performance management system will also be implemented as part of phase three.

Impact of NWOW on costs

Although our NWOW are still evolving, we can already see the impact of more flexible working on our costs.

There will be some increase in travel as restrictions are lifted but we expect on-going travel savings of £0.3 million. Savings of £0.3 million reduce our cost per unit by £7. Savings include lower train travel, lower parking costs and a reduction of 500,000 miles. Reduced mileage supports our Sustainability Strategy and improves work-life balance for our people.

Better use of technology and more interactive digital tools will help reduce the cost of resident engagement. We will also deliver savings as part of the Office Strategy review as we adapt our offices to NWOW.

Investing in our homes

Sustainability Strategy 2021 - 2025

Our Green Thread

Scientific evidence shows climate change is accelerating. As one of the largest housing associations in the UK, Optivo has a responsibility to be proactive on sustainability. We are making positive changes now for people and the planet, by ensuring the services we provide are more sustainable. Every positive change that happens today will significantly improve the outlook for future generations.

Our Sustainability Strategy sets out some ambitious targets up to 2025 in line with our Strategic Plan. This Strategy has been co-created by listening carefully to the comments and thoughts of our residents, colleagues and suppliers.

Our Green Future

The sustainability agenda is rapidly evolving as legislation and public awareness increases, so we will be updating our plans and targets over the next four years. We'll be producing a plan to achieve net zero carbon and will update our Strategy to reflect the milestones we've set to reduce our carbon impacts up to 2050 in line with Government legislation. As our plans develop, we'll continue to reach out to our co-creation groups through workshops and surveys.

Our Green Themes

There are seven themes in our Sustainability Strategy. We expect to radically change our ways of working to meet the requirements of Government legislation, and to respond to the needs and expectations of our residents and colleagues. We've set targets for each theme and will measure and report performance annually.

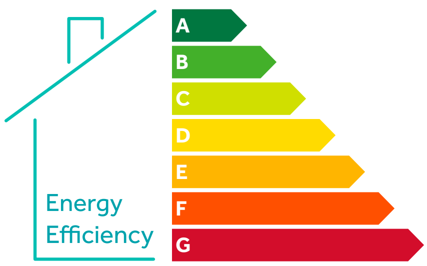
Our Themes	Our Values	Our Targets
 **Affordable warmth & carbon reduction**	• Meet Government energy targets • Help our residents have warm, comfortable homes with accurate & affordable energy bills • Ensure energy supplied to our residents and offices is carbon neutral.	• 80% of homes reach EPC band C by 2025 • Retrofit around 400 homes per year up to 2030 • Activities & services carbon neutral by 2050 • Deliver at least 750 advice sessions per year • Develop a plan to fund & install LED lighting in communal areas, homes and offices • Review the impact of smart heating technologies.
 **Sustainable new homes**	• New homes meet latest sustainability building standards • Work in partnership with our contractors to deliver our sustainability targets • Materials are sustainably sourced.	• Minimum EPC band B for all Optivo land led developments • Move from gas to sustainable alternatives for new homes • Ensure developers have specific plans to help minimise carbon impact • Run a pilot scheme to deliver net zero carbon development.
 **Open space & biodiversity**	• Value our open spaces • Encourage biodiversity.	• Audit our natural assets to set a baseline for future monitoring • Create a biodiversity Action Plan which sets out our future actions to protect flora and fauna and describes our community engagement.
 **Reduce water use & home waste**	• Improve household water efficiency • Reduce household waste • Reduce fly tipping.	• Water use reduced by 12.6 litres per person per day by 2025 • Information on utility efficiency provided on social media platforms • Run publicity campaigns on recycling and consequences of fly-tipping • Increased domestic recycling bins in new developments.

Our Themes	Our Values	Our Targets
 **Clean air & sustainable travel**	• Reduce emissions • Protect the air quality • Reduce business mileage.	• Provide cycle racks at our new developments • Install electric charging points at our offices & create a policy on charging points for residents use • Switch some of our fleet vans to electric vehicles • Continue to reduce business mileage.
 **Sustainable offices & operations**	• Reduce emissions • Reduce office costs • Recycle office waste • Divert waste from landfill • Consumables sourced responsibly.	• Use SHIFT to monitor and measure office energy, water & waste • Tackle plastic pollution • Increase responsibly bought office goods from 66% to 75%.
 **Sustainable supply chain**	• Suppliers deliver resource efficiency & lower contract costs • Suppliers provide added social & environmental value such as green jobs.	• Review our "Principles of Sustainable Procurement" statement each year • New goods & services contracts include our sustainability requirements • Survey at least 20% of suppliers on their carbon emissions, responsible sourcing & waste management.

Measuring our green performance

As well as measuring performance against targets for our key themes, we will also measure our performance as follows:

- We aim to retain our SHIFT Gold status and report annually on our sustainability performance.
- We will measure our progress against the United Nations Sustainable Development Goals (UNSDGs). There are 17 global goals addressing challenges relating to poverty, inequality, climate, environmental degradation, prosperity and peace and justice. We can measure nine of these goals in areas where we make direct impact and will summarise what we've delivered in an annual report.
- We will set a baseline for our carbon footprint and will measure our carbon reduction year on year.



An energy efficient home is important to the welfare of all our residents. There is growing awareness of the physical and mental health consequences of living in a cold home.

Energy Performance Certificates (EPC)

% Homes EPC B and C	
2020/21 Actual	71%
2021/22 Target	72%
2022/23 Target	75%
2023/24 Target	78%
2024/25 Target	80%

An EPC sets out the energy efficiency of a property on a traffic light system of A to G with A being the most efficient. It tells you how costly it will be to heat and light a property, and what its carbon dioxide emissions are likely to be. An EPC also includes information on what the energy efficiency rating could be if recommended improvements were made and highlights cost effective ways to achieve a better rating.

Many of the properties we own already meet the Government's target and have achieved EPC Band C – 71% at 31 March 2021 versus our target of 68%. However we still have just over 10,000 homes that will require improvement works to achieve Band C. Our sustainability strategy includes a target for 80% of our homes to achieve EPC Band C by 2025.

Streamlined Energy & Carbon Report (SECR)

SECR is a replacement for the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. We commissioned Beond Group to carry out a SECR compliance report for Optivo covering our operations, buildings, processes and fleet. The key metric we measured is CO2e per home managed, our performance has improved to 0.3883 tonnes per home per year for 2020/21 from 0.4628 for 2019/20.

MANDATORY	SCOPE	Current reporting year: 2020 - 2021 UK & Offshore	Comparison reporting year: 2019 - 2020 UK & Offshore
Energy consumption used to calculate emissions	Total Energy (kWh)	68,447,730	78,654,734
Emissions from combustion of gas	Scope 1 (tonnesCO2e)	8,544	9,697
Emissions from combustion of fuel for transport	Scope 1 (tonnesCO2e)	522	544
Emissions from air refrigerant leaks	Scope 1 (tonnesCO2e)	45	64
Emissions from purchased electricity (location based)	Scope 2 (tonnesCO2e)	4,450	5,564
Emissions from combustion of fuel for transport	Scope 3 (tonnesCO2e)	169	456
Total gross tonnes CO2e	Scope 1, 2 and 3 (tonnesCO2e)	13,730	16,325
Intensity ratio	Number of homes managed	35,360	35,278
Intensity ratio: Gross tonnes CO2e / number of homes managed	Intensity ratio - tonnes CO2e/homes managed	0.3883	0.4628

Methodology:

The above has been prepared in accordance with the provisions of the GHG Reporting Protocol - Corporate Standard and HMGovernment "Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance" issued March 2019.

DEFRA Conversion Factors 2020 have been used to convert electricity and gas consumption in kWh to tonnes CO2e.

DEFRA Conversion Factors 2020 have been used to convert transport fuel consumption in mileage/litres to tonnes CO2e and then to kWh.

DEFRA Conversion Factors 2020 have been used to convert refrigerant usage in kilograms to tonnes CO2e.

Action on energy efficiency undertaken during the reporting period:

Optivo spent £3.91 million on new heating installations including A-rated boilers and air source heat pumps as part of our planned maintenance programme.

Optivo spent £3.18 million on energy efficient windows and doors as part of our planned replacement programme.

Optivo spent a further £116k on energy efficiency products including consultancy, feasibility surveys and training.

Optivo retrofitted over 200 of our lowest performing homes and secured £500,000 from Government for energy retrofit projects. During this period Optivo maintained a SHIFT Gold award (accreditation scheme for the sector) for the third straight year.

Building Fire Safety Programme

We want to make sure our residents are safe in the building they live in. It's why we continue to invest in our homes to ensure all our buildings will meet the required standard. Building Fire Safety Programme is designed to ensure we:

- Proactively implement Ministry of Housing, Communities and Local Government (MHCLG) advice.
- Adequately prepare for forthcoming major regulatory changes.
- Understand the arising liabilities and financial implications as well as maximising opportunities for cost recovery.
- Continue to work collaboratively with residents.

Programme progress

The external wall system investigation programme continues apace. Reviews for higher blocks are complete and those for lower blocks will be completed by March 2022. For the higher fire risk blocks we have implemented interim mitigation measures and remediation work programmes. Through our strategic approach we ensure the risks are robustly assessed so enabling a proportionate assessment for each individual block. We've expanded the Asset Compliance Fire Team with a specialist team focusing purely on the delivery of the external wall system remediation programme and appointed a new Head of Fire Remediation to oversee the programme of works. We're working closely with the London Fire Brigade (LFB) and other Fire and Rescue Services to undertake joint inspections to ensure they are comfortable with the interim measures we have implemented. This is regularly discussed with LFB through the Primary Authority Partnership.

We've appointed ENGIE a leading energy, services and regeneration specialist to deliver our £120 million fire remediation programme.

ENGIE have already started on extensive investigation and design work across various buildings. The programme will be delivered over seven years and work on site will start in Summer 2021/22.

ENGIE has confirmed energy efficiency will play an integral part of the planning and design of the fire safety work. It also plans to access funding and work with our residents to deliver technologies that reduce the risk of fuel poverty for residents. ENGIE is committed to providing jobs and opportunities for local people and suppliers during the seven year delivery, including offering eight apprenticeships per year.

"Optivo has a very clear directive and the significance of this work isn't lost on anybody. We have the experience, technology, skills and systems in place to work within the golden thread framework – which was a requisite of the delivery – but we are also perfectly placed to bring net zero solutions to the table; ensuring these homes are not only safe, but efficient."

Dan German
Regional Managing Director

Evacuation management

We entered into a contract with a new provider for Evacuation Management Services. These services are provided in accordance with the revised National Fire Chiefs Council's Simultaneous Evacuation Guidance issued in October 2020.

Cost recovery

We are committed to exploring all cost recovery avenues to reduce the impact on our own costs and the recharge to leaseholders. These avenues include:

- Government's Building Safety Fund
- Third party claims against developers
- Claims against warranty providers.

The process is complex and starts with a 'Discovery Stage'. This involves extracting and assessing development and construction documents, along with contracts, warranties, and other associated plans to establish whether a claim would be possible and the likely success of any such claim. We're appointing a Liability Processing Officer to assist in the Cost Recovery project. To date we have 28 sites in the discovery stage and 5 sites beyond this stage. We have a Cost Recovery Policy which is approved by the Board. We also have a decanting strategy which supports rehousing to mitigate the need for evacuation management staff, reducing costs accordingly.

Resident communication

We recognise the strong challenge that fire safety communication poses. The Fire Safety Communications Co-Creation project is preparing communications on the remediation works programme. The project has involved input from key stakeholders across the business as well as residents. In March we held final co-design workshops with staff and residents and our strategic delivery partner, ENGIE.

The purpose of the workshops was to:

- Introduce residents, staff, and stakeholders from different demographics to each other's lived experience of fire safety
- Discuss and understand the findings of the co-creation project research so far
- Create a practical model for communication which supports the remedial works programme.

We will continue to consult and communicate with residents. Engie have provided excellent communication initiatives including setting up micro-websites for each block where residents can interact and communicate with the contractor and Optivo. More generally, the Fire Safety, Home Ownership and Communications Teams have further reviewed how we can respond better to leaseholder queries. A comprehensive communication strategy is being finalised. This includes specific block level FAQs and diarised meetings per block.

Funding the fire programme

Our Business Planning and Asset Management teams carry out a regular and comprehensive review of our fire safety works programme. Total fire safety spend over the next 10 years is projected to be over £250 million, our estimates reflect our current understanding of fire safety regulation, but the scope of works and costs may change. Robust financial planning and stress testing demonstrates our resilience and ability to deliver this significant programme.

Electrical safety management plan

This year we've updated our electrical safety management plan designed to manage the risks from electricity in our properties. This plan sets out our objectives to carry out Electrical Installation Condition Reports (EICR) for all relevant electrical installations, maintain the EICR register, promptly deal with defective installations, use appropriately qualified staff and carry out Portable Appliance Testing (PAT).

An EICR identifies any damage, deterioration or defects which may be dangerous along with recommendations for improvements. To keep our residents safe and our properties well maintained we have a 5 year EICR programme on our communal areas due to complete by March 2025.

Financial Review

In 2020/21 our turnover was £332 million. At 31 March 2021 we had fixed assets of £3.2 billion and reserves of £749 million. We reported an operating surplus of £104 million and an operating margin of 24%. Our social housing activities generated an operating margin of 27%. Our operating surplus includes £24 million surplus on housing property disposals (2019/20: £17 million). Surplus before tax is £90 million (2019/20: £18 million).

Results	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m
Turnover	332	322	314	317
Cost of sales	(37)	(25)	(19)	(21)
Operating costs	(216)	(224)	(204)	(199)
Surplus on disposal of fixed assets & investments	25	17	12	20
Operating surplus	104	90	103	117
Surplus on other sales	-	1	-	4
Other finance income	-	2	-	-
Net interest payable	(53)	(47)	(42)	(42)
Surplus before fair value movements	51	46	61	79
Fair value property & investment movements	5	(5)	29	11
Derivative movement and hedge reserve write off	34	(23)	(2)	(141)
Surplus / (Deficit) for the year	90	18	88	(51)

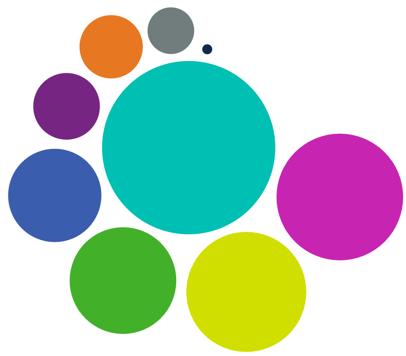
Analysis of turnover

- Turnover of £286 million (excluding sales) remained unchanged from 2019/20. We transferred our care homes in Ealing to another provider in March 2020, (2019/20 turnover from Care homes £12.4 million). We sold 808 student units in January 2021 and 73 supported housing homes in November 2020 further reducing turnover by £2.1 million. These changes were offset by increased income from the annual rent increase and handover of newly developed homes. 94% of our turnover excluding sales is generated from social housing activities
- First tranche sales turnover of £31 million was the same as in 2019/20. Turnover from open market sales was £15 million, we had no open market sales in 2019/20
- Rental income from shared ownership properties increased to £27 million (2019/20 £25 million) reflecting an increase in homes completed and annual rent increases
- Service charge costs of £31 million exceeded our income of £28 million (2019/20 net loss £2 million) mainly due to additional fire safety spend and managing agents' fees not yet recovered.

General needs	£198m
Supported & HOPs	£31m
First tranche sales	£31m
Shared ownership	£28m
Open market sales	£15m
Students	£13m
Key workers	£8m
Other non social housing	£5m
Other social housing	£2m
Temporary housing	£1m

Analysis of expenditure

Operating costs (excluding cost of sales) decreased by £8 million to £216 million. We increased our maintenance spend by £4 million (mainly fire safety spend) and services spend increased by £3 million. Management costs reduced by £6 million, savings from exiting care homes services in Ealing amounted to £5 million. Depreciation increased by £3 million as we reduced the life of electrical upgrades from ten years to five years.



Maintenance	£83m
Management	£45m
Depreciation & impairment	£39m
Services	£31m
Cost of sales	£25m
Market rent cost of sales	£12m
Students	£12m
Other non social housing	£6m
Other	£(0.2)m

Surplus on disposal of housing properties: 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 £11 million to £24 million (2019/20: £17 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.

Net interest payable increased by £6 million to £53 million (2019/20: £47 million). Cost of additional borrowing reflects our growth plans to build more homes. We also refinanced a high interest aggregator loan at a cost of £4.5 million. We'll benefit from lower interest costs over the next seven years.

Balance sheet	2020/21 £m	2019/20 £m	2018/19 £m	2017/18] £m
Total fixed assets	3,238	3,103	2,911	2,657
Net current (liabilities) / assets	(86)	139	81	59
Total assets less current liabilities	3,152	3,243	2,992	2,716
Long term liabilities & provisions	(2,403)	(2,567)	(2,349)	(2,142)
Net assets	749	675	643	574
Reserves	749	675	643	574

Housing properties are mainly held at historical cost, unamortised grant is held in creditors. The increased fixed asset carrying cost of £135 million includes £190 million investment in new homes and £20 million spend on improvements and component replacements to existing homes. To date we have received just over £1 billion social housing and capital grant to support our development programmes.

Net current liabilities at 31 March 2021 reflect our decision to repay loans of £212 million during 2021/22 (2019/20 £46 million).

Pensions - we operate five funded schemes and an Optivo defined contribution scheme. All funded schemes are in deficit and closed to new members. The liability on the funded schemes is £42 million. The defined contribution scheme offered to new staff carries no deficit risk to Optivo.

Reserves – our reserves are fully reinvested back in to services and new homes to deliver sustainable communities.

Homes	2020/21 £m
Property cost less depreciation and impairment	3,083

Funded by	2020/21 £m
Loans and bonds net of cash and short term investments	1,417
Unamortised grant	932
Revenue reserves	749
Other balances	15

Cash flow	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m
Cash generated from operations	141	108	80	101
Cashflow from investing activities				
Proceeds from sale of assets	17	2	-	33
Purchase of assets	(202)	(232)	(264)	(160)
Investment in joint venture	2	(4)	-	-
Grant received	28	25	15	13
Interest received	1	3	5	1
Cashflow from financing activities				
Net borrowings	19	212	192	19
Interest paid	(57)	(57)	(51)	(47)
Net change in cash	(51)	57	(23)	(40)

We had £87 million cash and liquid resources at 31 March 2021.

Social Housing Lettings performance

Our core business is social housing lettings with our main tenures being general needs, supported housing, keyworkers and shared ownership. We achieved our highest occupancy in our NHS keyworker accommodation portfolio since Optivo was formed in 2017 at 96.2%. Our operating margin improved to 26.8%, we sold our care homes in Ealing, where we were making a loss, in February 2020.

	2020/21	2019/20
Homes managed	40,700	40,425
Revenue	£268m	£265m
Operating surplus	£72m	£65m
Operating margin	26.8%	24.7%

Non social housing

The impact of Covid-19 on the student portfolio has been significant. Lower rent and higher void losses were partly offset by savings in staff and other operating costs. For 2020/21 academic year, we achieved 75.3% occupancy against the target of 97% (set before the pandemic). The student market average was 70% occupancy. Overall, we´ve continued to track above our profiled target for the entire year. In January we sold an outlying site in Southampton to another provider. This strategic disposal consolidates our direct let student accommodation business in London and Eastbourne, where demand is strongest and where we benefit from operational and marketing synergies. The proceeds of the disposal support our investment into new social housing and refurbishment works planned and underway at our other student accommodation sites.

Student accommodation	2020/21	2019/20
Homes managed	1,835	2,643
Revenue	£12.7m	£16.0m
Operating surplus	£0.5m	£3.4m
Operating margin	4%	21%

Social impact	2020/21	2019/20
Revenue	£1.3m	£1.5m
Costs	£3.2m	£3.5m
Optivo investment	£1.9m	£2.0m

We've increased support arrangements with 113 partner businesses including contractors and suppliers to create jobs and training opportunities for residents or sponsorship for young people's development projects.

Development and sales performance

We re-phased construction timetables due to lockdown and to accommodate safe working practices upon re-opening, and spent less on new homes than we expected at the start of the year. Sales performance was almost at pre-pandemic budget level and above our post-pandemic revised forecast. We target a further 1,000 starts in the year ahead. We completed 61 homes for outright sale and have sold 38.

	2020/21	2019/20
Homes started	1,002	1,500
Homes completed	577	693
Homes completed & let	552	838
Homes under construction	2,812	3,064

Development and sales performance (continued)

Property disposals within operating surplus	2020/21 Turnover (£m)	2020/21 Operating surplus (£m)	2020/21 Margin	2019/20 Turnover (£m)	2019/20 Operating surplus (£m)	2019/20 Margin
Shared ownership first tranche	£31.3m	£6.1m	20%	£31.0m	£6.0m	19%
Open market sales	£14.8m	£2.4m	16%	-	-	-
Staircasing & right to buy	-	£10.3m	-	-	£8.5m	-
Miscellaneous property sales (social housing)	-	£14.1m	-	-	£8.4m	-
Disposal of investment	-	£0.7m	-	-	-	-

Cash and financing

We increased funding headroom by issuing a new £250 million 2035 bond in April 2020. In June we accessed the Bank of England's Covid Corporate Financing Facility (CCFF), which we've since rolled over to March 2022. In September we tapped our existing 2043 bond by £150 million selling part for settlement on a deferred basis. We improved the efficiency of our secured debt platform by creating a new Numerical Apportionment Security Trust Deed to support our future bond issuance.

Funding sources	2020/21 £m	2019/20 £m	2018/19 £m
Cash and cash equivalents	87	137	81
Available bank facilities	640	405	380
Retained bonds held	100	-	100

Metrics	2020/21	2019/20	2018/19
Interest rate profile:			
% of net debt fixed	96%	85%	76%
Weighted average duration	11 years	13 years	10 years
Weighted average debt cost	3.64%	3.79%	4.24%
Derivative mark-to-market	£136m	£171m	£148m

Value for money

Our Board drives the delivery of efficiencies supported by the whole business and residents. We're embedding 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

	2020/21	2019/20	2018/19	2017/18
Number of homes in management excluding leaseholders	42,599	43,155	42,857	42,133
We added 552 new homes via development. We sold or handed back to landlords 1,093 properties including 881 transferred to other providers.				
Social Housing cost per unit	£4,378	£4,425	£4,189	£4,246
Our cost per unit decreased by £47, reductions of £149 in management costs, £70 in major works and £48 in responsive repairs were partly offset by increases in planned maintenance and service charge costs mainly due to additional fire safety spend.				
Interest cover (Association as per loan agreements)	189% 169%	197% 162%	247% 287%	262% 306%
EBITDA - Earnings before interest, tax, depreciation & amortisation per unit	£4,112	£2,114	£3,656	*£3,784
EBITDA - Earnings before interest, tax, depreciation & amortisation and excluding FAIR VALUE movements per unit	£3,171	£2,763	£3,042	-
EBITDA MRI (including major repair improvements capitalised) per unit	£3,639	£1,676	£3,232	£3,373
EBITDA MRI (including major repair improvements capitalised) excluding FAIR VALUE movements per home	£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 that despite a decrease in the number of homes in management year on year the position has improved.

	2020/21	2019/20	2018/19	2017/18
Net debt to turnover	4.11	4.19	3.79	3.08

Debt less cash increased by £70 million and turnover increased by £10 million.

Operating margin	24%	23%	29%	31%

Increased turnover, efficiencies generated from exiting Ealing Care, a lower bad debt provision based on high rent collection performance and savings on travel partly offset by an increase in maintenance spend of £4 million, increase in void loss £1 million and a £3 million under recovery of service charge costs

Change in turnover	3%	3%	(1)%	(8)%

Increased revenue from rents and service charges £11 million and open market sales £15 million, partly offset by loss of Ealing Care home income £7 million and Ealing Nursing home income £6 million.

Change in major repair improvements capitalised year on year	(2)%	5%	5%	(21)%

We deferred major repairs spend to offset some of the additional fire spend.

Effective interest rate	4.11%	3.93%	4.24%	4.31%

We increased net borrowing by £19 million, our average weighted cost of debt increased due to the £4.5 million one off additional cost of loan refinancing.

*** 2017/18 EBITDA is stated before write off of hedge reserve.**

Other metrics

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Rent arrears	4.1%	4.5%	4.3%	4.5%

Rent arrears of 4.1% was better than our annual target of 4.5% and better than at March 2020. We expected an increase in arrears in 2020/21 as a result of the economic impact of Covid-19 and a significant increase in new claims for universal credit, we were however able to manage the impact well. We have over 1,300 fewer residents in arrears compared to March 2020.

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Void rent loss GN & HOPS	1.1%	1.0%	1.6%	0.6%

Void loss performance improved but was still higher than our target of 1%. Factors contributing to this included an increase in tenancy terminations, higher average void turn-around time due to needing to complete more works before homes could be re-let and high void loss in some of our sheltered schemes. We implemented an action plan mid-year to reduce turnaround times and we've targeted further improvements in 2021/22. The continued impact of Covid-19 on lettings may affect how quickly we're able to deliver these improvements.

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Average days re-let times	85.4	30.0	83.6	16.0

Our performance is disappointing and improvements are needed. Excluding our Housing for Older People (HOPS) lettings our General Needs (GN) re-let time was 24 days in March 2021. This was the 3rd month in a row our GN re-let time had reduced and the first time we'd been under our GN target (25 days) during 2020/21. Our HOPS re-let time for March was 148 days. We let 10 properties where the average re-let time was 407 days. Our median average for HOPS is 37 days, we had 22 lettings that took, on average, 30 days to let. We are developing an Independent Living Strategy which should address long term void issues for some HOPS schemes.

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Vacant homes available for letting	0.6%	1.0%	-	-

New target - We've consistently exceeded this target since we started monitoring it in July 2020.

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Satisfaction with quality of home	92.5%	90.0%	-	-

We exceeded our target. During 2020/21 we carried out planned investment works to over 4,000 homes, including 825 replacement kitchens, 835 bathrooms and new windows and central heating to over 1,400 homes.

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Homes with SAP rating 69 or more	70.8%	68.0%	-	-

New target - We ended the year ahead of our target. We retrofitted over 200 of our lowest performing homes during 2020/21.

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Satisfaction with repairs	96.8%	97.0%	97.9%	90.0%

Despite ongoing high demand for repairs we ended the year only marginally below our target.

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Satisfaction with neighbourhood	92.3%	92.0%	90.7%	92.0%

Satisfaction improved compared to March 2020.

Other metrics (continued)

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
Satisfaction with overall service	88.7%	93.0%	94.5%	96.0%

Service levels have dipped because of the pandemic but satisfaction increased for the third month in a row to March 2021. Our Net Promoter Score remains stable at 58 and higher than the 55 achieved in 2019/20. Latest Housemark research shows London based landlords were more likely to find decreases in satisfaction levels. At 88.7% satisfaction is high and we remain number one in the G15.

New home starts	1,002	1,000	1,500	1,500

We started 82 homes in Kent, 409 in London, 364 in Sussex and 147 in Surrey. It's been a particularly challenging year with progress slowed down due to the impact of Covid.

New home completions	577	571	693	652

We completed 210 homes in London, 68 in Midlands, 108 in Sussex, 169 in Kent and 22 in Surrey. Due to the pandemic we faced a number of unforeseen challenges. During the first lockdown all sites closed. With the second lockdown restrictions progress on site had been delayed with some sites having to temporarily close. We continued to work with contractors to deliver the programme and to achieve target.

New sale receipts	£46.1m	£49.8m	£31.0m	£35.2m

We've achieved sales of £46.1 million from 306 completions against an initial budget target of £49.8 million. The sales team delivered 27% sales growth from the previous financial year and surplus for the year was £3 million better than budget.

Number of people into jobs and training	1,246	1,000	1,256	1,000

This year we've progressed 1,246 people into jobs and training (278 jobs, 968 training), against a target of 1,000, an excellent achievement given the circumstances. We've engaged 1,641 people in support which is similar to previous years but with the impact of Covid their needs have been different. The increase in training is indicative of the impact of Covid on the economy and the local job markets. Those in entry level positions in retail and hospitality sectors adversely affected are wanting to re-train and re-skill to be competitive in new job sectors. Online support has been well received and gave the ability for residents based in any location to join the same training course.

Colleague satisfaction	88.6%	80.0%	80.3%	78.0%

Given the pandemic we are proud to have maintained strong satisfaction.

Sickness absence – average days	7.0	7.0	7.9	7.0

Overall, absence levels have been lower this year, but have been subject to significant variation, with sharp increases across the winter months as well as high levels of Covid related absence. 63.75% of absence has been long term of which 36% has been in relation to mental health issues, which is clearly an ongoing area of focus for us. 19.2% of all absence has been Covid related and 44% of Covid absence has been long, rather than short term, indicating the significant impacts of the virus.

Other metrics (continued)

	2020/21 Actual	2020/21 Target	2019/20 Actual	2019/20 Target
% voluntary staff turnover	7.7%	12.0%	13.2%	12.0%

Voluntary staff turnover was significantly better than target. Retirement accounted for nearly 9% of voluntary leavers.

Progress against each of our targets is monitored by Strategic Target Governance Groups (STGG). STGG 6 monitors our progress on running an efficient business. The group focuses on ensuring we spend less, spend well and spend wisely. Performance is measured against our target operating margin but also on analysis of our cost per unit and delivery of efficiency savings. We have an efficiency savings target of £9.7 million built into our financial plan of which £3.1 million has already been delivered in the 2020/21 and 2021/22 budgets. We will deliver the remaining £6.6 million by March 2025.

STGG 6 consolidate savings from projects, ideas and proposals across the whole business to ensure everything is captured in one place. Efficiencies are classed as cashable and non-cashable. All cash savings are reviewed and are counted as 'pipeline' until the group verify the savings have been delivered.

- Fully review the proposal
- Ensure benefits exceed the costs
- Prioritise projects to maximise efficiencies
- Implement & monitor progress
- Verify savings have been delivered

We expect the main sources of efficiency savings to be:

Save to Build	We've run a communications campaign to encourage staff to submit ideas for savings. Staff email the "save to build" in-box with ideas.
Procurement Savings	Savings delivered through contract reviews & renewals.
Good Ideas Forms (GIF)	GIFs can be submitted by any team. GIFs include projects and ideas to solve problems. They must include SMART objectives, resource impact assessment and details of savings.
Robotic Process Automation (RPA)	Under a theme of Eliminate, Automate & Innovate, use robotics and AI to increase efficiency in our processes. For example, we've automated verification of universal credit claims and production of housing benefit entitlement letters. Saved hours are used to target collection of accounts in arrears.
Operational Savings	Savings usually identified through budget setting & forecasting.
Service & Process Reviews	Reviews of the ways we work. For example, we've launched a cross-team voids & letting improvement programme (VALOUR). VALOUR is reviewing the end-to end processes for voids, identifying areas where we can implement improvements. We'll reduce void turn-around time and minimise void losses.

Target metrics for 2021/22

We've set ourselves challenging targets for 2021/22. STGGs will monitor delivery and report on progress to Board and Executive team via the Portfolio Steering Board.

Strategic plan priorities and key performance indicators	2021/22 Target	2020/21 Actual
P1: Invest in the quality, safety and environmental sustainability of homes		
% Satisfaction with quality of home	90%	93%
We continue to implement repair improvement plans.		
% Homes with SAP rating 69 (band C) or more	72%	71%
SAP targets align to our budget and financial plan. Our target for year five of the plan is 80% minimum SAP rating of Band C (69).		
P2: Provide great customer experience		
% Satisfaction with overall service	91%	89%
91% satisfaction is a challenging but motivational target. We believe it's achievable, despite falling national optimism, a challenging service delivery environment and a backlog of repairs. We anticipate a return to full services by July 2021.		
P3: Be a leading provider of high quality affordable homes		
New home starts	815	1,002
Our proposed target for 2021/22 is set in accordance with our financial plan.		
P4: Creating jobs and training opportunities in our communities		
Number of people into jobs and training	Minimum 1,000	1,246
We will help a minimum of 1,000 people into jobs and training This is in line with our Social Impact Statement and Fresh Visions Charity objectives. This is below what we achieved in 2020/21. 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	82%	89%
Achieving this would mean we retain a place in the top 25% of large (over 10,000 homes) housing organisations in the UK (currently 81.7%). Challenges are to maintain support for wellbeing especially in connection with good mental health and new ways of working.		
P6: Run an efficient business		
% Operating margin	20.4%	23.6%
Operating margin reduction reflects an increased spend on fire safety measures and increased technology investment.		

Strategic operations targets

	2021/22 Target	2020/21 Actual
% Satisfaction with neighbourhoods	92%	92%
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	56 days
We're improving the end of tenancy process and automating processes where possible. We've introducing pre-sign ups and digital tenancy signing. We're also improving the DLO void management system.		
Average re-let times – Housing for Older People (HOPS)	110 days	127 days
Letting HOPs has been challenging during the pandemic and led to an increase in the number of longer term empty homes. We have 100 HOPS homes empty on average for 167 days. We will continue to review demand in HOPS schemes and recommend options.		
% Void rent loss (GN & HOPS)	1.0%	1.1%
Our current performance is 1.23% with recent months tracking at 1%. The trends are improving but the pandemic may affect our ability to let properties during 2021/22.		
% Vacant homes available for letting (GN & HOPS)	0.7%	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 8 week average (GN & HOPS)	4.5%	4.1%
The target is challenging given the uncertain operating environment. Unemployment is set to rise. This will affect incomes and could lead to an increase in Universal Credit cases. Our Financial Inclusion Team will continue to work with our residents to maximise their income.		

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	2020/21	2019/20	G15 2019/20 Highest	G15 2019/20 Lowest	G15 2019/20 Median
Investment in property	6.8%	8.2%	12.9%	3.5%	7.1%

This measures our investment in new and existing homes as a percentage of the total value of properties held. We invested £210 million in new and existing homes in 2020/21 compared to £239 million in 2019/20. We were above the median for reinvestment % in 2019/20 in our peer group.

Metric 2 – New supply	2020/21	2019/20	G15 2019/20 Highest	G15 2019/20 Lowest	G15 2019/20 Median
A. New supply delivered % (social housing)	1.4%	2.0%	2.4%	0.3%	1.5%
B. New supply delivered % (non-social housing)	0.1%	0%	1.2%	0%	0.7%

This metric sets out new housing supply delivered by us as a proportion of our total homes at period end. New supply delivered was in line with our financial plan. 2019/20 performance was 0.5% above the median in our peer group for social housing supply.

Metric 3 – Gearing	2020/21	2019/20	G15 2019/20 Highest	G15 2019/20 Lowest	G15 2019/20 Median
Gearing	46.0%	46.0%	59.1%	39.0%	46%

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 £70 million but this was offset by an increase in housing assets of £156 million. We remain within our lender covenant and risk appetite set by Board. 2019/20 performance was at the median level in our peer group.

Metric 4 – EBITDA MRI interest cover %	2020/21	2019/20	G15 2019/20 Highest	G15 2019/20 Lowest	G15 2019/20 Median
EBITDA-MRI %	143.3%	150.3%	152.4%	59.8%	107.2%

This is a key indicator for liquidity and investment capacity. Our EDITDA - MRI percentage reduced, our adjusted surplus increased by £5 million but our interest payments also increased by £5 million, mainly due to refinancing costs. Our 2019/20 performance was significantly above the median in our peer group and only 2.1% below the highest reported in G15.

Regulator of Social Housing - Value for Money metrics (continued)

Metric 5 – Headline cost per unit (CPU)	2020/21	2019/20	G15 2019/20 Highest	Lowest	Median
Social housing CPU	£4,378	£4,425	£6,628	£4,372	£4,987

Our social housing cost per unit has reduced by £47. Exiting the loss making Ealing Care service contract reduced cost per unit by £139. Additional fire safety spend added £154 to our maintenance cost per unit and £71 to our service charge cost per unit. A cost saving programme reduced responsive and void maintenance cost per unit by £48 and major works cost per unit reduced by £70. 2019/20 cost per unit was in the lower quartile compared to the G15 and £53 higher than the lowest cost per unit. Further information on our cost per unit is set out on page 53.

Metric 6 – Operating margin	2020/21	2019/20	G15 2019/20 Highest	Lowest	Median
Operating margin – overall	23.6%	22.6%	27.8%	13.0%	22.6%
Operating margin – social housing	26.8%	24.7%	34.0%	16.1%	28.0%

The operating margin demonstrates the profitability of operating assets. Our operating margin is slightly below our target of 24.3% for 2020/ 21. It's higher than 2019/20 due to an increase in turnover and lower management costs partly offset by higher maintenance and service charge costs. Social housing operating margin also improved, we exited our loss making Ealing Care service in February 2020. Our operating margin overall for 2019/20 was at the median level for our peer group and social housing operating margin was below the median.

Metric 7 - Return on Capital Employed	2020/21	2019/20	G15 2019/20 Highest	Lowest	Median
Return on Capital Employed (ROCE)	3.29%	2.8%	5.1%	1.9%	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 increased, operating surplus increased by £14 million and capital employed reduced by £91 million. Compared to our peers we were above the median in 2019/20.

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 2021/22 and 2024/25 (final year of our current strategic plan) is as follows:

Metric 2 – New supply	2021/22	2024/25
A. New supply delivered % (social housing)	2.1%	1.7%
B. New supply delivered % (non-social housing)	0.2%	0%

We're forecasting to complete 876 new homes in 2021/22 and 744 in 2024/25.

Metric 3 – Gearing	2021/22	2024/25
Gearing	51%	56%

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 %	2021/22	2024/25
EBITDA -MRI %	133%	138%

Our interest cover initially is forecast to reduce as we pay higher interest costs on our larger loan portfolio but improves by 2024/25 due to a higher surplus being achieved.

Metric 5 –Headline cost per unit (CPU)	2021/22	2024/25
Social housing CPU	£4,145	£4,365

Our cost per unit is forecast to increase by 2024/25 due to increasing investment in major repairs but is expected to remain below 2020/21 performance (£4,378).

Metric 6 – Operating margin	2021/22	2024/25
Operating margin – overall	21%	28%
Operating margin – social housing	25%	32%

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	2021/22	2024/25
Return on Capital Employed (ROCE)	2.7%	3.0%

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

Other benchmarking

	2020/21	2020/21	2019/20	G15 2019/20		
	Actual	Target	Actual	Highest	Lowest	Median
Rent collected (General needs & HOPS)	100.2%	100%	99.8%	101.2%	99.0%	100.0%
Collection rate better than 100%. 2019/20 performance was slightly below the median in our peer group.						
Overall customer satisfaction	88.7%	93%	95%	94.8%	67.0%	74.0%
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 2019/20. Main feedback from dissatisfied residents is not doing repairs quickly enough and communication on handling of ASB cases. To improve performance we're increasing responsive repairs capacity and holding co-creation ASB service review workshops with residents and other key stakeholders.						
Overheads as a % of turnover	8.9%	9.0%	9.2%	12.3%	7.0%	10%
Turnover (adjusted for sales and DLO) increased by £2 million while overheads were at a similar level to 2019/20. Our 2019/20 performance was better than the median in our peer group.						
Investment in communities	£1.9m	£1.9m	£2.0m	£9m	£0.3m	£3m
We received revenue grant funding of £1.3 million and invested £1.9 million in communities and projects. Compared to our peers we were £1 million below the median in terms of investment made. We exceeded our target of 1,000 into jobs and training by 246.						
Occupancy	99.4%	99.0%	99.3%	99.6%	98.0%	98.9%
Our occupancy rate was above our target and better than 2019/20. We were better than median in our peer group and only 0.3% below best performance.						
Ratio of responsive to planned maintenance	0.4	0.4	0.5	1.0	0.2	0.6
Our ratio of responsive to planned repairs improved as we increased fire safety spend in planned maintenance and reduced our responsive repairs cost. 2019/20 performance was close to the median in our peer group.						

Understanding our social housing cost per unit

We report our social housing cost per unit (CPU) as part of our regulatory value for money metrics. Headline CPU has reduced by £47.

Optivo Social Housing CPU (£)	2020/21	2019/20	Change
No of homes	40,700	40,425	275
Headline CPU	4,378	4,425	47
Management	1,112	1,261	149
Service charge costs	762	687	(75)
Maintenance	1,861	1,757	(104)
Major repairs	601	671	70
Other	42	49	7

We no longer participate in HouseMark cost benchmarking but instead completed our own analysis of our CPU. This enables us to more frequently track changes in costs by business function. We report our CPU analysis each month as a consistent and straightforward way for staff to see the impact of decisions on our costs. In each of the key scorecard measures, we've separated direct costs from allocated corporate costs.

Management

Total management cost per unit reduced by £149.

Growth in the number of homes managed and operating efficiencies have helped reduced housing management costs by £6 per unit. Exiting the loss-making care service contract reduced costs by £139 per home.

We've put additional resources into our Lettings Team to reduce letting times and help reduce void loss. Responsibility for managing the decant budget has moved from Property Services to the Lettings Team to support our disposals programme. As a result, lettings costs increased by £28 per unit. Income collection costs reduced by £4 per unit.

Court closures during the pandemic reduced spend on court costs. Anti-social behaviour costs increased by £2 per unit due to higher legal spend and recruitment to some vacant roles.

Management CPU (£)	2020/21	2019/20	Change
Housing management	256	262	6
Care	-	139	139
Lettings	50	22	(28)
Income collection	97	101	4
Contact centre	61	61	-
Anti-social behaviour	23	21	(2)
Other	121	126	5
Corporate	504	529	25
Total	1,112	1,261	149

Service charge costs

Service charge cost per unit increased by £75. Increased fire safety spend includes the cost of remediation work recharged to leaseholders, additional fire risk assessments and upgrades to fire safety equipment. Other spend increased by £4 per unit and includes increased managing agent costs and higher grounds maintenance and cleaning charges.

Service costs CPU (£)	2020/21	2019/20	Change
Fire safety	121	50	(71)
Other	641	637	(4)
Total	762	687	(75)

Maintenance

Maintenance cost per unit increased by £104. This includes an increase of £154 per unit on fire safety spend as we continue work to ensure our buildings meet the required fire safety standards.

Responsive & void cost per unit reduced by £48 following an action plan to increase the capacity of our in-house repairs service. We recruited additional direct labour staff and reduced spend with external contractors. Where specialist contractors are required we've reviewed contract terms to drive better value for money. Other planned spend reduced by £1 per unit and maintenance staff reduced by £5 per unit.

Maintenance CPU (£)	2020/21	2019/20	Change
Responsive & voids	544	592	48
Planned - fire	342	188	(154)
Planned - other	577	578	1
Staff	240	245	5
Corporate	158	154	(4)
Total	1,861	1,757	(104)

Major repair cost per unit reduced by £70. Direct spend reduced by £45 per unit as we directed more resources towards the fire safety programme. As a result of lower direct spend, allocation of maintenance staff reduced by £17 per unit.

Total maintenance staff costs reduced as we reallocated responsibility for managing the decant budget to the Lettings Team.

Major Repairs CPU (£)	2020/21	2019/20	Change
Direct spend	473	518	45
Staff	77	94	17
Corporate	51	59	8
Total	601	671	70

Corporate costs

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

Corporate CPU (£)	2020/21	2019/20	Change
Technology	193	196	3
Facilities	118	121	3
People Team	80	93	13
Financial Services	71	80	9
Governance	40	46	6
Strategy & Communications	37	37	-
Treasury, Risk & Insurance	60	46	(14)
Procurement	17	16	(1)
Executive & Legal	97	107	10
Total	713	742	29

Total corporate costs reduced by £29 per unit. Costs are lower in all areas except Treasury, Risk & Insurance and Procurement.

Final streamlining of services, systems and structures post-merger helped to reduce costs in many areas. Home working helped to reduce facilities costs.

Treasury & Risk spend in 2020/21 includes the costs of the tri-annual property valuation and increased insurance costs. We've recruited to vacant roles in the Procurement Team which increased the unit cost.

Conclusions

Our priority is to run an efficient business. During 2021/22 we'll continue to monitor and report our cost per unit breakdown. We're already providing housing management services to Legal & General Affordable Homes (LGAH) and this portfolio will grow over the next few years. We've also been successful in bidding to provide services for other organisations. Our bids are based on providing services closely aligned to our own services so marginal costs are minimal. This helps us drive economies of scale by getting better value from our fixed overheads. We expect to see the impact of this in our cost per unit during the next year.

Financial Planning and Treasury Management

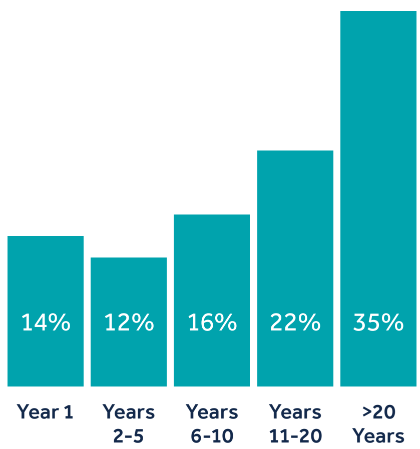
Board uses the financial plan to ensure long term covenant compliance, to establish financial risk appetite and to set an envelope for investment in new homes. We undertake a remodelling at least annually. In April 2021 we carried out a complete rebuild of the financial plan, refreshing all inputs and reviewing the model structure. The plan reflects resources required to deliver our strategic objectives including the investment needed into technology and fire safety. Our latest financial plan includes incremental annual savings of £6.6 million to be delivered by 2024/25. It also reflects our development ambitions to spend £2 billion over the next five years on building new homes. We've undertaken a wide range of stress testing on the financial plan, and considered the mitigating actions 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.

The pandemic has shown the unexpected can happen, and we need to be diligent in considering the widest possible range of shocks. Until it happened we had not stress tested the impact of either the move to home working or a move to emergency repairs only. 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.

Debt Repayment Profile



Financial Shocks considered

Facilities and Funding

Committed facilities are mainly secured against our social housing assets (£210 million of funding is unsecured). These assets are independently valued to ensure we meet lenders' asset cover requirements. As at 31 March 2021, 32,790 homes were charged as security to lenders (including derivative counterparties). We also held 13,112 unencumbered chargeable properties.

During 2020/21 we issued a £250 million 2035 bond (of which we retained £100 million) and accessed the Bank of England's Covid Corporate Financing Facility (CCFF), raising £150 million unsecured funding. In September 2020 we tapped our existing 2043 bond increasing it by £150 million. We entered into forward purchase agreements with investors to sell part for settlement on a deferred basis to replace the CCFF on maturity in March 2022.

At 31 March 2021, borrowings for the Group totalled £1,497 million from available facilities of £2,137 million. 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 56% coming from nine banks and 44% from capital markets, Government backed schemes, syndicated funding and Local Authority funding. The Group has limited near-term re-financing risk with 74% of current debt due for repayment in over 5 years. Debt maturing within one year include the £150 million CCFF debt which we will refinance through selling our 2043 retained bonds.

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 ISDA (International Swaps and Derivatives Association) agreements. As at 31 March 2021 91% of net debt was fixed and the weighted average duration was 11.1 years. The weighted average cost of debt was 3.64% (March 2020: 3.79%).

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 2021, MTM exposure equalled £136 million (March 2020: £171 million). Thresholds and property security cover the full market exposure. A 1% fall in rates would increase our MTM exposure to £182 million. Our policy of over collateralisation with property security means this would not trigger a cash margin call.

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 2021 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 have 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 are prepared to take. It is 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 March 2021

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.

Risk	Comment and risk mitigations
Provide great customer experience	
Unavailability of IT systems ↑	Loss of IT or failure to test ahead of launching new IT offerings 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. We've developed a new IT strategy to sit alongside the new five year strategic plan to enable us to improve how we work. Assurance has been slightly strengthened with the addition of a third line of defence review so reducing the impact of the risk; but the new IT strategy will need to be implemented to enable the likelihood of the risk occurring to be reduced.
Failure to manage counterparty risk ↔	In the current challenging economic conditions we are very aware of the risks posed to our third party contractors particularly in development and asset management. Our contract management framework supported by a contractor risk profile assessment enables us to manage contractor risk effectively so limiting the potential for any fallout to impact our operations.
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 & 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. Actions taken during the year including increased sample checking and using third parties has enabled us to reduce the likelihood of this risk occurring.

Risk	Comment and risk mitigations
Invest in the quality, safety and environmental sustainability of homes	
Breach in fire safety standards and inadequate planning for new fire & building safety regulations ↔	The consequences of failure to work within the fire safety regime are significant. We have invested heavily in our processes and staff to ensure we protect our staff and residents. We have contractors in place to support our work and also commissioned a third party to review our high risk accommodation. There is a high level of oversight from Board right through to the Health & Safety Group. Our programme to complete the programme of works from the Hackitt recommendations is ongoing.
Be a leading provider of high-quality affordable homes	
Fall in house prices and asset valuations ↔	Our sales programme will average around 300 homes per annum. The vast majority is shared ownership which provides partial shelter from a housing market downturn. Over the next two years 85% of our development programme will be affordable housing with the majority of that providing rented homes. Ahead of making a new development commitment we ensure the appraisal is first stress tested and that funding is secured and in place.
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 in to 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. Given the heightened uncertainty arising from Covid-19 we are reviewing our plans more frequently and focusing stress testing more over the short term. We have some exposure to risk of impairment, where house price falls mean we may write down asset values. Insights from our stress testing drive decisions about when and what new development commitments we should make. Strong financial controls and frequent reporting on treasury matters including, covenant compliance, mark to market exposure and liquidity.

Risk	Comment and risk mitigations
Be a leading provider of high-quality affordable homes	
Fail to deliver Homes England / GLA strategic partnership targets for new homes ↔	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 our exposure to the housing market.
Be an inclusive and diverse organisation	
Poorly managed staff leading to low morale, lack of inclusivity, diversity & engagement, poor performance & poor customer service ↔	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 our colleagues.
Run an efficient business	
Failure to deliver value for money ↔	It is essential we operate an effective, efficient business that delivers the right services to our residents. We will continue to find more effective ways of working to deliver high quality services and resident satisfaction and to create capacity for new homes.
Information security breach ↓	A catastrophic loss of data or inadvertent non-compliance with regulations would cause the business significant damage. We operate a range of security arrangements including two factor authentication and appropriate access controls. Regular security testing and network monitoring are carried out and reported to our Information Governance Group. We also require our staff to complete annual training on data protection. Having taken action to improve our overall security we were able to reduce the likelihood of this risk occurring.

Risk	Comment and risk mitigations
Run an efficient business	
Absence of a robust framework that regulates data management ↔	The Information Governance Group oversees the management of data ensuring information asset owners are in place and appropriate data validation checks are in place. We are substantially compliant with the General Data Protection Regulations having carried out a major exercise over the last two years to minimise sensitive data held and to close down legacy systems.
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. We've made improvements to the control environment, strengthening the second line of defence on validating our compliance. The likelihood of the risk occurring has been reduced reflecting improvements made to the control environment over the last two years which are now well embedded and strengthening the second line of defence on validating our compliance.
Fail to manage Coronavirus pandemic implications ↔	The country is now starting to ease out of lockdowns. We are moving our focus to ensuring we quickly catch up with outstanding repairs, and implementing remobilisation of our offices as government guidance allows.
Failure to manage and collect leaseholders recharges arising from Fire Remedial Works (new risk in 2020/21)	There is funding risk in relation to fire remediation works. To date government has made available funding for some remediation works for buildings over 18m and loans will be available to leaseholders in schemes below 18m. We have developed a communications strategy to ensure leaseholders are kept informed of progress with the fire remedial works programme.

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


Ministry of Housing,
Communities &
Local Government

04 Leadership and Governance

Optivo is led by the Board. 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

Board oversee our strategy and business plan, making sure our Executive Team is working effectively and has access to the resources it needs. Board ensure any risks to the organisation are identified and controlled. They are responsible for monitoring our performance, service delivery and financial viability.

The Optivo Board at 14 July 2021 has twelve members; eleven independent Non-Executive Directors (NEDs) of which four are Optivo residents. Our Chief Executive also sits on the Optivo 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 Diabetes UK
- Former Chair of the Housing Corporation
- Former Vice Chair Broads Authority
- Former Chair UCL Hospitals NHS Foundation Trust.

Eugenie Turton CB
Vice Chair

- Member of Audit & Risk Committee
- Member of People, Governance & Remuneration Committee
- Board Associate and Mentor of Critical Eye network for business leaders
- 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.

Grace Alaneme

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

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.

Andy Burder

- Member of Crystal Palace Housing Association
- Member of Customer Experience Committee
- Financial Controller for a Real Estate Investment Manager
- Chartered Accountant and Chartered Tax Advisor
- Optivo resident.

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
- Former senior executive at Circle
- Former Interim Chief Executive of Hornsey Housing Trust
- Former board member at Ascham Homes.

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
- Director of MJD Treasury Solutions Limited
- Non-executive director at The Riverside Group
- Chair of Board - Kairos Women Working Together
- Experienced financial risk management executive.

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 Construction and Project Management and a member of the Independent Advisory Board
- Sits on the Royal Institution of Chartered Surveyors (RICS) ‘Housing Supply Group’
- Fellow of the RICS, the Chartered Institute of Building, the Chartered Institute of Housing and an Academician of the Academy of Urbanism.

Kanye Kola

- Member of Customer Experience Committee
- Digital and Technology solutions professional
- Experience of end to end delivery of organisational and technological change across large, medium and small organisations.
- Projects delivered are delineated by a strong focus on customer, great stakeholder management, collaborative problem solving, cost efficiency and highly effective creative outputs
- Optivo resident.

Damien Régent
Chair of Audit & Risk Committee

- Member of Treasury Committee
- Chair of Audit Committee at Kingston Hospital NHS Foundation Trust
- Trustee at Crisis (homelessness charity)
- Trustee-treasurer at Pro Bono Economics
- Financial analyst by background with significant experience in credit markets and financial institutions.

Nick Stephenson

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

Chris Tinker
Chair of Growth Committee

- Chair of Optivo Homes Limited
- Chair of Lamborn Estates Limited
- Member of Treasury Committee
- NED of BBS Capital Limited and Bathurst Developments Limited
- Trustee of Yeldall Christian Centres and Kiriath Trust
- Former Interim CEO of Crest Nicholson, long term Chairman of Regeneration and Strategic Partnerships on the Crest Group Board
- Formerly 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.

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 up to seven members. Current membership is six, four are Board members (three of whom are Residents), 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 & 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 & 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 four members; three 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 up to five members. The current membership is four, three are Board members and one is an 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, three are Board members and two are independent committee members. The Committee's role is to oversee treasury activity and recommend the treasury strategy and plans to the Board.

Pensions Group

Pensions 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 Chairs 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

We put residents at the heart of our organisation, in a position to influence and drive up service standards. We have over 60 residents in our governance structure and recruit on an ongoing basis. They 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 has links with our Board ensuring residents voices are heard throughout the organisation.

Residents Strategy Group is chaired by Monica Barnes MBE. Members scrutinise delivery of Optivo's Strategic Plan, monitor and scrutinise performance across the business and help shape organisation-wide policies and strategies. They also oversee Optivo's resident involvement, co-creation and resident governance work. The panel works with Board and Executive Team to develop strategy and influence budgets

Regional Residents' Panels scrutinise Optivo's performance in their regions. They shape the priorities for resident involvement and co-creation plans. They help shape priorities for the work of regional housing and property teams. The chairs are:

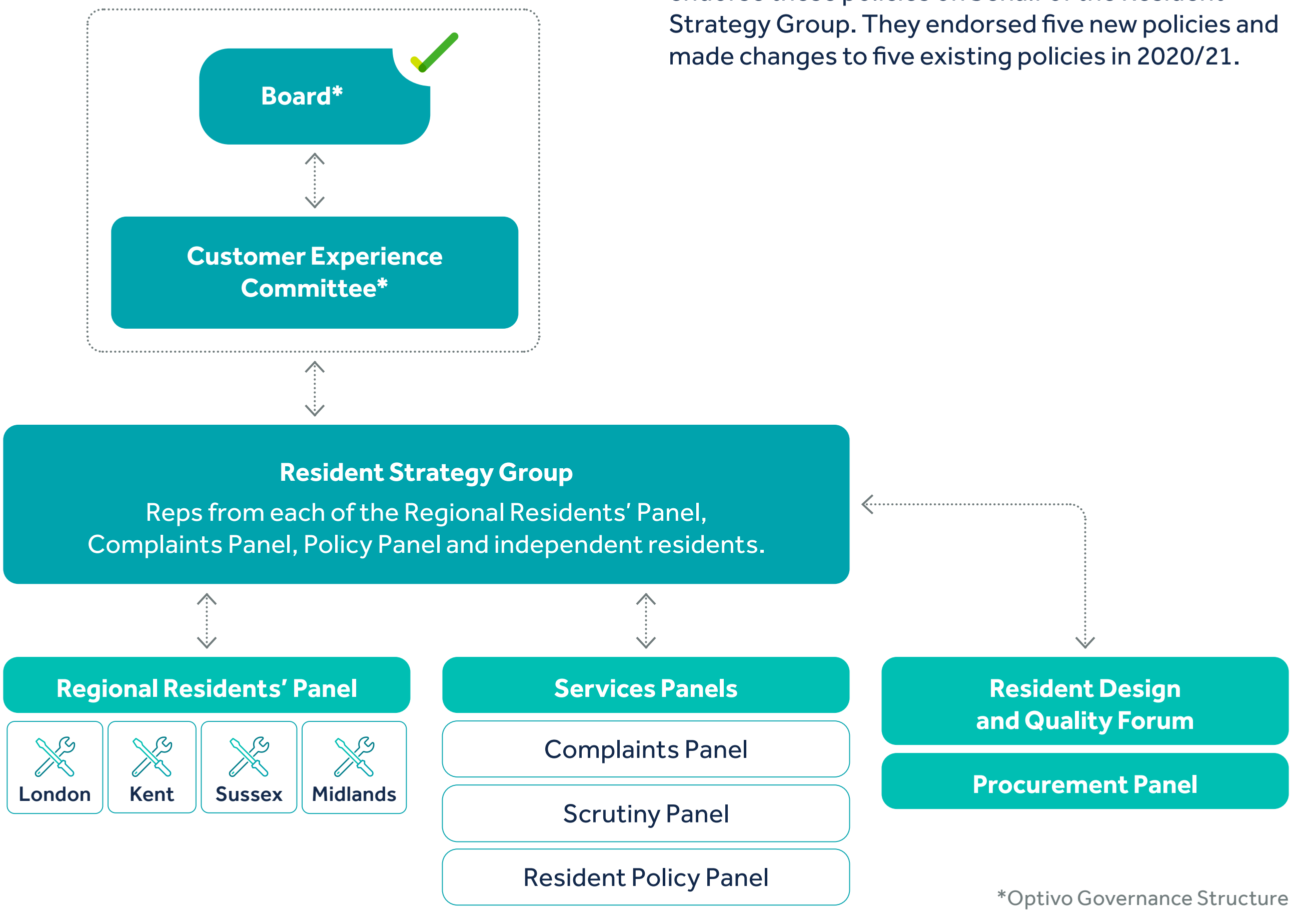
- Christopher Wickerson - Sussex Residents' Panel
- Daniel Catchpole - Midlands Residents' Panel
- Penelope Ann Walker - London Residents' Panel
- Graham Whitehead - Kent Residents' Panel.

When the pandemic began, our regional panels adapted quickly, they merged their general and repair panel meetings and following a review became the Regional Residents' Panels.

The Complaints Panel is chaired by Robert Blake who has recently taken over the role from Helena Ingham. The panel scrutinise complaints performance and provide a pool of residents to sit on complaints review hearings. During the pandemic the panel have continued with our two stage process of complaint resolution policy by holding virtual review hearings.

The Scrutiny Panel is chaired by Rosemary Ley BEM. The panel carry out in depth scrutiny reviews, presenting their findings and recommendations to the Resident Strategy Group. The Scrutiny Panel are now underway with their third project, reviewing Optivo's Tenancy Sustainment Service.

Wendy Thomas is the acting chair of **The Resident Policy Panel.** This panel monitor and scrutinise customer facing policy work across Optivo. They endorse these policies on behalf of the Resident Strategy Group. They endorsed five new policies and made changes to five existing policies in 2020/21.



*Optivo Governance Structure

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 delegates day to day management to the Executive Team (ET) named on page 136.
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.

Kerry Kyriacou

Executive Director of Development and Sales

Kerry has extensive experience in housing, starting his housing career at Hyde, having previously worked in commercial development for a large multinational business. The majority of Kerry's housing career has been with Affinity Sutton/Clarion, where he worked for 17 years as the Group Director of Development and Sales, leading the organisation's development activities. Kerry is also an Architect and member of the RIBA. He is currently the non-executive Chair of Oxford City Housing Ltd.

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 Vice Chair of the National Housing Federation's SORP working party. 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 has been appointed to the Sustainability for Housing Board.

Joanne Stewart

Executive Director for People

Joanne joined Optivo in September 2019. Prior to this Joanne was Group Director for People at the UK's digital technology agency and has held a range of senior leadership roles including 10 years as a General Manager in the NHS. She has extensive experience of developing and executing people strategy and culture change in addition to mergers and acquisitions in a variety of sectors including geographically dispersed, international and matrix organisations. Joanne is focussed on contributing to inclusive and diverse environments where all feel they belong and can develop and thrive. Joanne holds a Masters in Strategic Human Resources Management and is a Fellow of the Chartered Institute of Personnel and Development (CIPD).

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 & 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 & Safety Champion' and executive lead, chairing our Health & Safety Group (HSG), and reporting to the Board on performance at least quarterly. Our Director of Health & Safety is responsible for the strategic management and implementation of the Health & Safety Management System, supported by a competent in-house Health & 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've 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've ensured compliance with changing government guidance, whilst prioritising the health and safety of our staff, residents and partners. Within the limitations of national rules, we've ensured the majority of our frontline services have remained active in accordance with our Safe Operating Procedures.

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 third 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 1 July 2021. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board on 14 July 2021 which covers the compliance from 1 April 2020 till the signing on 14 July 2021.

We are fully compliant with all aspects of the General Data Protection Regulation (GDPR) with the exception of data minimisation where we are substantially compliant. We have robust Data Protection and Technology Policies to protect our data and mandatory GDPR training has been completed by staff. Optivo complies in full with the Rent Standard and is satisfied it has complied with all other laws and regulations that are relevant.

On 26 May 2017 the Board agreed to adopt the National Housing Federation (2015 edition) Code of Governance. Optivo complies in full with this Code as reported to Board on the 24 March 2021. Also at this meeting the Board approved adoption of the National Housing Federation 2020 Code from 1 April 2021. We expect to report compliance with the new 2020 Code in 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 £4.6 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 2021 was £452 million, with the total charge in year of £41 million.

Defined benefit pension scheme obligations

At 31 March 2021 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 2021 was £42 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. Covid-19 is considered to be a trigger of impairment and its impact has been considered during our impairment review. A potential 10% reduction in sales values resulted in us making an impairment provision of £0.8 million. At March 2021 we revised this provision based on current sales rates being achieved and level of interest at new schemes and increased the provision to £1.1 million

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. We made an additional provision of £1.8 million at the end of 2019/20 based on expectations that rent arrears would rise due to the pandemic. Rent collection performance has however remained very strong throughout 2020/21, is better than target and better than 2019/20 performance. As a result of this we have released the £1.8 million provision.

Properties held for sale - value

There is uncertainty in the housing market due to Covid-19. In establishing whether the value of our properties held for sale is higher than net realisable value we have made assumptions that there will be a 10% fall in housing valuations in the short term and as a result have written down our stock value.

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 2022, the Board have a reasonable expectation Optivo has adequate resources to continue in operational existence for the foreseeable future. The net current liabilities reported at March 2021 are caused by a decision to repay loans of £212 million during financial year 2021/22. This debt repayment due within 1 year will be funded by selling 2043 retained bond and from operational cash receipts. 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 Covid-19 pandemic on the cashflows of the company over the next 12 month period. The Board have considered the impact of additional downside scenarios with potential increased voids, bad debts and falling house prices. In making their assessment the Board have also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity.

The Board have concluded that whilst the potential impact of the Covid-19 pandemic 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.

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 & Risk Committee and receives annual reports from the Chief Executive and the Audit & 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 2021 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 financial responsibilities

The Board is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and the Group and of their surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed, and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for instituting adequate systems of internal control and for:

- Safeguarding assets
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for keeping proper accounting records. These disclose, with reasonable accuracy at any time, the financial position of the Association and the Group. This enables the Board to ensure the financial statements comply with:

- The Co-operative and Community Benefit Societies Act 2014
- The Housing and Regeneration Act 2008
- The Accounting Direction for Private Registered Providers of Social Housing 2019.

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 2021. 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 22 September 2021.

By order of the Board

Sir Peter Dixon
Chair of Optivo Board
14 July 2021

Approval

This Report of the Board and Strategic Report were approved by order of the Optivo Board on 14 July 2021.

Alison Wignall
Optivo Company Secretary
14 July 2021


Banstead
Woodcote
(A 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 2021 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Optivo ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, 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 committee.

Independence
Following the recommendation of the audit committee, we were appointed by the Board on 16 September 2020 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is eight years, covering the years ending 2014 to 2021.

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 COVID-19 might have on these projections.
- We considered the forecasts prepared by management and challenged the key assumptions based on our knowledge of the business. As referred to in basis of preparation note, management have modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic and post Brexit transition. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and Brexit and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings.
- 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 reverse stress test 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 reverse stress test calculations.

- 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 2023 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; and
- 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 scenario.

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
A full scope statutory audit was carried out for each subsidiary of the Group.

Key audit matters

	2021	2020
The recoverable amount of property developed for sale is materially misstated	✓	✓
The preparation of the accounts on a going concern basis is not appropriate	✗	✓
The accounting for and disclosure of sale of bonds is materially misstated	✗	✓

"The preparation of the accounts on a going concern basis is not appropriate" is no longer considered to be a key audit matter on the basis that there is a reduction in the level of the operational uncertainties since the Covid-19 pandemic began and previous reviews by management have indicated significant headroom on both covenant compliance and liquidity.

Accounting treatment and disclosure of sale of bonds is no longer considered to be a key audit matter due to it being a specific transaction related risk in the prior year but no similar risks were identified in the current year due to no issues being identified in the prior year.

Materiality
Group financial statements as a whole.

£8.1 million (2020: £51.2 million) based on 7.5% of adjusted operating surplus as defined by the entity's lending covenants (2020: 1.5% of total assets) .

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 each subsidiary that we considered to be a significant component of the group. 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 £115,767,000. 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 properties under construction and the level of judgement involved in estimating both selling price 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

Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis.

Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end.

For a sample of completed properties we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained sales prices achieved for similar units in the year and/or third-party housing market information to confirm that properties were held at the lower of cost and net realisable value.

For a sample of properties under development we 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. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date.

We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed 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.

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	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	8.1	51.2	8.0	50.8
Basis for determining materiality 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 adjusted operating surplus as defined by the loan covenants. Based on the toughest loan covenants definition, depreciation and impairment are added back and surplus on first tranche sales, capitalised major repairs and amortisation of grants is excluded. It is therefore appropriate to adjust materiality in order to respond to the risk of covenant breach.				
Performance materiality	6.1	38.4	6.0	38.1
Basis for determining performance materiality We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.				
Financial statement materiality In 2020 we determined materiality as a whole to be £51.2 million (Group) and £50.8 million (Association). Specific materiality was £7.1 million (Group and Parent). We used total assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.				

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 £490 to £1.1 million. In the audit of each component, we further applied performance materiality levels of 75% 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 committee that we would report to them all individual audit differences in excess of £163k (2020:£140k). 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 including the Strategic Report and the Leadership and Governance report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

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

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- 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 76, 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. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board Members and other management and inspection of regulatory and legal correspondence if any.

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, 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 database 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 ad properties held for sale
- Capitalisation of development costs
- Appropriate allocation of costs between tenure types and between first and subsequent shared ownership tranches
- UELs of housing property components
- Assumptions used in pension, investment property and derivative valuations
- Measurement of provisions
- 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 entity'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 for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

E Kulczycki

Elizabeth Kulczycki
Senior Statutory Auditor

For and on behalf of
BDO LLP, Statutory Auditor
Gatwick, UK

Date: 16 July 2021

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 2021

		GROUP		ASSOCIATION	
	Notes	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Turnover	3a	332,235	321,979	316,864	320,176
Cost of sales	3a	(37,576)	(24,926)	(25,160)	(24,926)
Operating expenditure	3a	(216,220)	(224,157)	(217,973)	(223,067)
Surplus on Investment disposal	3a	734	-	734	-
Surplus on disposal of housing properties	3c	24,389	16,878	23,248	16,307
Operating surplus		**103,562**	**89,774**	**97,713**	**88,490**
(Deficit) / surplus on disposal of commercial properties and other fixed assets	9	(26)	554	(26)	554
Other finance income		-	2,275	-	2,275
Interest receivable	10	625	1,114	5,272	3,802
Interest and financing costs	11	(53,894)	(47,984)	(53,744)	(47,742)
Movement in fair value of financial instruments	11	34,788	(22,824)	34,788	(22,824)
Movement in fair value of investment properties	15	4,665	(5,055)	4,175	(4,485)
Movement in fair value of investments	16	622	156	-	-
Surplus before taxation		**90,342**	**18,010**	**88,178**	**20,070**
Taxation	12	-	(27)	-	(27)
Surplus for the year		**90,342**	**17,983**	**88,178**	**20,043**
Actuarial (loss) / gain in respect of pension schemes	36	(17,124)	14,250	(17,124)	14,250
Change in fair value of hedged financial instruments	11	523	(77)	-	-
Change in fair value of housing properties		120	-	120	-
Total comprehensive income for the year		**73,861**	**32,156**	**71,174**	**34,293**

All activities relate to continuing operations except care services to Ealing Care Alliance Limited, the wholly owned subsidiary of Ealing Care Alliance (Holdings) Limited. The service provision transferred to a new provider and surplus on investment disposal was £0.7 million as recognised above.

The notes on pages 94 to 135 form part of these financial statements.

Balance Sheet as at 31 March 2021

	Notes	GROUP 2021 £'000	GROUP 2020 £'000	ASSOCIATION 2021 £'000	ASSOCIATION 2020 £'000
Fixed assets					
Tangible fixed assets - Housing properties	13	3,082,696	2,927,082	3,085,692	2,881,308
Other tangible fixed assets	14	16,810	20,301	16,810	20,301
Investment properties	15	131,791	147,306	114,201	130,206
Other investments	16+17	7,098	8,848	13	14
Total Fixed Assets		**3,238,395**	**3,103,537**	**3,216,716**	**3,031,829**
Current assets					
Properties held for sale	18	115,767	114,458	66,284	57,972
Trade and other debtors	19	53,911	45,028	116,332	156,114
Cash and cash equivalents	21	86,780	137,449	74,859	130,137
		256,458	**296,935**	**257,475**	**344,223**
Creditors: amounts falling due within one year	22	(343,030)	(157,681)	(341,820)	(151,585)
Net current (liabilities) / assets		(86,572)	139,254	(84,345)	192,638
Total assets less current liabilities		3,151,823	3,242,791	3,132,371	3,224,467
Creditors: amounts falling due after more than one year	23	(2,360,047)	(2,532,978)	(2,346,973)	(2,518,251)
Provisions and other liabilities	30	(680)	(760)	(680)	(760)
Pension liability	36	(41,805)	(33,717)	(41,805)	(33,717)
Net assets		**749,291**	**675,336**	**742,913**	**671,739**
Capital and reserves					
Share capital - non equity	32	-	-	-	-
Income & expenditure reserve		749,116	676,054	741,710	670,846
Designated reserves		1,101	750	571	264
Restricted reserve		679	660	632	629
Revaluation reserve		434	434	-	-
Hedge reserve		(2,039)	(2,562)	-	-
Total reserves		**749,291**	**675,336**	**742,913**	**671,739**

The financial statements on pages 88 to 135 were approved by the Optivo Board and authorised for issue on 14 July 2021 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 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 hedged financial instruments	-	-	-	-	523	523
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	**73,338**	**-**	**-**	**-**	**523**	**73,861**
Increase 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 & activities funded from reserve	(310)	307	3	-	-	-
Balance as at 31 March 2021	**741,710**	**571**	**632**	**-**	**-**	**742,913**

Statement of Changes in Reserves for the year ended 31 March 2020

GROUP	Income & expenditure reserve £'000	Designated reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Hedge reserve £'000	Total £'000
Balance as at 1 April 2019	643,910	658	659	438	(2,485)	643,180
Surplus for the year	17,983	-	-	-	-	17,983
Change in fair value of hedged financial instruments	-	-	-	-	(77)	(77)
Actuarial gain on defined benefit pension scheme	14,250	-	-	-	-	14,250
Total comprehensive income for the year	**32,233**	**-**	**-**	**-**	**(77)**	**32,156**
Reserves transfers & activities funded from reserve	(89)	92	1	(4)	-	-
Balance as at 31 March 2020	676,054	750	660	434	(2,562)	675,336

ASSOCIATION	Income & expenditure reserve £'000	Designated reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Hedge reserve £'000	Total £'000
Balance as at 1 April 2019	636,648	169	629	-	-	637,446
Surplus for the year	20,043	-	-	-	-	20,043
Actuarial gain on defined benefit pension scheme	14,250	-	-	-	-	14,250
Total comprehensive income for the year	**34,293**	**-**	**-**	**-**	**-**	**34,293**
Reserves transfers & activities funded from reserve	(95)	95	-	-	-	-
Balance as at 31 March 2020	670,846	264	629	-	-	671,739

Consolidated Statement of Cash Flows for the year ended 31 March 2021

	2021 £'000	2020 £'000
Cashflows from operating activities		
Surplus for the year	**90,342**	17,983
Adjustments for non-cash items:		
Depreciation and amortisation	**30,202**	27,491
Tax	**-**	27
Interest payable	**53,894**	47,984
Interest receivable	**(625)**	(3,389)
Deficit/ (surplus) on disposal of fixed assets	**26**	(554)
Surplus on disposal of fixed assets	**(24,389)**	(16,878)
Proceeds from sale of property, plant and equipment	**45,420**	27,004
Net fair value (gains)/losses recognised in profit or loss	**(40,075)**	27,723
Difference between net pension expense and cash contribution	**(8,942)**	(4,671)
Increase in stocks	**(1,309)**	(21,028)
(Increase) / decrease in trade and other debtors	**(8,883)**	10,922
Increase / (decrease) in trade and other creditors	**5,628**	(5,042)
(Decrease) / increase in provisions	**(80)**	77
Net cash from operating activities	**141,209**	**107,649**
Cashflow from investing activities		
Purchase of property, plant and equipment	**(201,528)**	(231,714)
Investment in joint ventures	**2,372**	(4,113)
Proceeds from sale of commercial properties	**16,640**	1,765
Interest received	**625**	3,389
Net capital grant received	28,246	25,382
Net cash from investing activities	**(153,645)**	**(205,291)**
Cashflow from financing activities		
Proceeds from long term borrowings	**300,000**	308,868
Interest paid	**(57,080)**	(57,430)
Repayment of borrowings	**(281,153)**	(97,180)
Net cash from financing activities	**(38,233)**	**154,258**
Net change in cash and cash equivalents	**(50,669)**	56,616
Cash and cash equivalents at start of year	**137,449**	80,833
Cash and cash equivalents at end of year	**86,780**	137,449

Analysis of Change in Net Debt

	At 1 April 2020 £'000	Cashflows £'000	Other non cash changes £'000	At 31 March 2021 £'000
Cash and cash equivalents				
Cash	114,974	(51,126)	-	63,848
Cash equivalents	22,475	457	-	22,932
	137,449	**(50,669)**	**-**	**86,780**
Borrowings				
Debt due within one year	(46,066)	105,889	(271,995)	(212,172)
Debt due after one year	(1,025,726)	(87,042)	382,853	(729,915)
	(1,071,792)	**18,847**	**110,858**	**(942,087)**
Total	**(934,343)**	**(31,822)**	**110,858**	**(855,307)**

Notes to the Financial Statements

for the year ended 31 March 2021

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 2021 were £749 million (2020: £675 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.

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 2019. 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
- No cash flow statement has been presented for the parent Association
- 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.

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.

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 profit. 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 Ltd and Resolution Property Surveyors for the fair value at 31 March 2021. Changes in fair value are recognised in the statement of comprehensive income.

We have taken a prudent view of the impact of Covid-19 on the future occupancy rates in our student accommodation. We have factored in the likely reductions in student income during 2021/22 in to our student valuations. This has reduced the fair value by £1.5 million (2019/20 £6.1 million). Investment properties make up less than 5% of our asset portfolio. We will continue to 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 are required to be retained in a ring fenced fund that can only be used for providing replacement housing. These sales receipts less eligible expenses are held in the disposal proceeds fund. Any such amount held within disposal proceeds fund is held under "creditors due within one year". The balances were supposed to be used by March 2021 but Homes England have 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.

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

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.

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.

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.

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.

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 & 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 eight 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. It also participated in two further funded schemes which were settled during the prior year.

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.

- Local Government Pension Scheme – Kent County Council Scheme
- Local Government Pension Scheme – East Sussex County Council Scheme
- Local Government Pension Scheme – London Borough of Ealing *
- Local Government Pension Scheme – London Borough of Barnet
- Optivo DB Pension Scheme
- TPT Retirement Solutions – The Growth Plan (TPT) *

* settled during the prior year

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.

For TPT – The Growth Plan, the scheme actuary had advised that it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to operating surplus equals the interest expense and the settlement of the liabilities. Contributions payable under the terms of a funding agreement for past deficits are recognised as a liability in the balance sheet at the present value of the expected future cash flows for which there is a contractual obligation.

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.

Restricted reserves
Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds.

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.

Going concern
After reviewing Optivo's budget and cash forecasts to August 2022, 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. The net current liabilities reported at March 2021 are caused by a decision to repay loans of £212 million during financial year 2021/22.

In making this assessment the Board have made an assessment of the potential impact of the Covid-19 pandemic on the cashflows of the Group over the next 12 month period. The Board have considered the impact of additional downside scenarios with potential increased voids, bad debts and falling house prices. In making their assessment the Board have also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity which amongst other, includes the ability to change tenure types, delay development and source additional funding. Stress testing shows the business to be robust even in extreme downside scenarios. Board are confident our viability can be maintained

The Board have concluded that whilst the potential impact of the Covid-19 pandemic 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.

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 7% and 13.75%. Rates used are higher than current market discount rates due to onerous restrictions imposed under the project agreement with Middlesex First.
- **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 Kent County Council scheme where we have varied three assumptions. 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	2021 Turnover £'000	2021 Cost of sale £'000	2021 Operating Costs £'000	2021 Fixed asset & investment disposals £'000	2021 Operating Surplus/ (deficit) £'000	2020 Turnover £'000	2020 Cost of sale £'000	2020 Operating Costs £'000	2020 Fixed asset & investment disposals £'000	2020 Operating Surplus/ (deficit) £'000
Social housing activities (note 3b)	268,595	-	(196,587)	-	**72,008**	264,509	-	(199,161)	-	**65,348**
Other Social Housing Activities										
First tranche sales	31,274	(25,160)	-	-	**6,114**	30,960	(24,926)	-	-	**6,034**
Supported housing	24	-	(24)	-	**-**	24	-	(24)	-	**-**
Qualifying charitable donation	2	-	-	-	**2**	10	-	-	-	**10**
Other	-	-	(1,130)	-	**(1,130)**	-	-	(1,456)	-	**(1,456)**
Surplus on asset disposal (note 3c)	-	-	-	24,389	**24,389**	-	-	-	16,878	**16,878**
Surplus on investment disposal	-	-	-	734	**734**	-	-	-	-	**-**
	31,300	**(25,160)**	**(1,154)**	**25,123**	**30,109**	**30,994**	**(24,926)**	**(1,480)**	**16,878**	**21,466**
Non Social Housing Activities										
Community activities	1,294	-	(3,222)	-	**(1,928)**	1,505	-	(3,485)	-	**(1,980)**
Market & sub-market renting	596	-	(163)	-	**433**	644	-	(273)	-	**371**
Student accommodation	12,681	-	(12,177)	-	**504**	16,018	-	(12,660)	-	**3,358**
Nursing homes	-	-	-	-	**-**	5,755	-	(4,652)	-	**1,103**
Commercial renting	1,972	-	(1,915)	-	**57**	1,865	-	(1,757)	-	**108**
Market sales	14,795	(12,416)	-	-	**2,379**	-	-	-	-	**-**
Other	1,002	-	(1,002)	-	**-**	689	-	(689)	-	**-**
	32,340	**(12,416)**	**(18,479)**	**-**	**1,445**	**26,476**	**-**	**(23,516)**	**-**	**2,960**
Total	**332,235**	**(37,576)**	**(216,220)**	**25,123**	**103,562**	**321,979**	**(24,926)**	**(224,157)**	**16,878**	**89,774**

Community activities for Fresh Visions and Optivo includes grant received from the Big Local Trust (Heart of Sidley) of £42,423 (2020: £41,728) and related expenditure of £40,381 (2020: £41,075). It also includes a Children in Need grant of £30,908 (2020: £29,312) and related expenditure of £30,908 (2020: £29,312). 2020 included a Big Lottery grant of £88,829, this funding ceased at the end of 2020.

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

ASSOCIATION	2021					2020				
	Turnover £'000	Cost of sale £'000	Operating Costs £'000	Fixed asset & investment disposals £'000	Operating Surplus/ (deficit) £'000	Turnover £'000	Cost of sale £'000	Operating Costs £'000	Fixed asset & investment disposals £'000	Operating Surplus/ (deficit) £'000
Social housing activities (note 3b)	267,844	-	(197,099)	-	**70,745**	263,478	-	(198,944)	-	**64,534**
Other Social Housing activities										
First tranche sales	31,274	(25,160)	-	-	**6,114**	30,960	(24,926)	-	-	**6,034**
Supported housing	24	-	(24)	-	**-**	24	-	(24)	-	**-**
Services to Group companies	237	-	-	-	**237**	(556)	-		-	**(556)**
Gift aid	2,494	-	-	-	**2,494**	3,022	-	-	-	**3,022**
Other	-	-	(1,125)	-	**(1,125)**	-	-	(1,456)	-	**(1,456)**
Gain on acquisition (note 3d)	-	-	-	-	-	-	-	-	-	-
Surplus on asset disposal (note 3c)	-	-	-	23,248	**23,248**	-	-	-	16,307	**16,307**
Impairment of investment	-	-	(2,350)	-	**(2,350)**				-	**-**
Surplus on investment disposal	-	-	-	734	**734**	-	-	-	-	**-**
	34,029	**(25,160)**	**(3,499)**	**23,982**	**29,352**	**33,450**	**(24,926)**	**(1,480)**	**16,307**	**23,351**
Non Social Housing activities										
Community activities	1,011	-	(2,849)	-	**(1,838)**	1,181	-	(3,029)	-	**(1,848)**
Market & sub-market renting	596	-	(163)	-	**433**	644	-	(284)	-	**360**
Student accommodation	10,410	-	(11,445)	-	**(1,035)**	13,112	-	(12,201)	-	**911**
Nursing homes	-	-	-	-	**-**	5,755	-	(4,652)	-	**1,103**
Commercial renting	1,972	-	(1,916)	-	**56**	1,867	-	(1,788)	-	**79**
Market sales	-	-	-	-	-	-	-	-	-	-
Other	1,002	-	(1,002)	-	**-**	689	-	(689)	-	**-**
	14,991	**-**	**(17,375)**	**-**	**(2,384)**	**23,248**	**-**	**(22,643)**	**-**	**605**
Total	**316,864**	**(25,160)**	**(217,973)**	**23,982**	**97,713**	**320,176**	**(24,926)**	**(223,067)**	**16,307**	**88,490**

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

GROUP	General needs housing £000	Supported housing and HOPs £000	Key workers £000	Other Housing Provision £000	Shared ownership £000	Temporary social housing £000	2021 Total £000	2020 Total £000
Rents receivable net of identifiable service charges	180,556	20,192	7,277	1,458	17,391	1,310	228,184	219,727
Service charges receivable	9,440	9,192	-	-	9,408	113	28,153	25,640
Care management fee	-	-	-	-	-	-	-	6,638
Net rental income	**189,996**	**29,384**	**7,277**	**1,458**	**26,799**	**1,423**	**256,337**	**252,005**
Amortised government grant	6,508	2,050	-	-	1,008	129	9,695	9,571
Other revenue income	1,201	221	420	437	237	47	2,563	2,933
Turnover from social housing lettings	**197,705**	**31,655**	**7,697**	**1,895**	**28,044**	**1,599**	**268,595**	**264,509**
Expenditure on letting activities								
Management	31,071	5,125	3,426	430	4,740	452	45,244	50,998
Bad debts	(2,150)	314	-	(51)	-	10	(1,877)	3,984
Service charge costs	12,311	9,158	-	190	9,215	129	31,003	27,789
Routine maintenance	26,077	741	1,205	35	12	79	28,149	30,984
Planned maintenance	45,251	612	1,674	62	-	44	47,643	40,084
Major repairs	6,561	22	164	-	-	-	6,747	7,959
Impairment of housing properties and stock	-	-	-	-	99	-	99	728
Depreciation of housing properties	27,789	5,621	818	-	3,337	166	37,731	34,540
Accelerated depreciation	1,294	-	-	-	-	-	1,294	1,574
Other costs	69	-	-	8	93	384	554	521
Operating costs on social housing	**148,273**	**21,593**	**7,287**	**674**	**17,496**	**1,264**	**196,587**	**199,161**
Operating surplus on social housing lettings	**49,432**	**10,062**	**410**	**1,221**	**10,548**	**335**	**72,008**	**65,348**
Void Losses	**(2,172)**	**(1,658)**	**(182)**	**-**	**-**	**(103)**	**(4,115)**	**(4,943)**

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

ASSOCIATION	General needs housing £000	Supported housing and HOPs £000	Key workers £000	Other Housing Provision £000	Shared ownership £000	Temporary social housing £000	2021 Total £000	2020 Total £000
Rents receivable net of identifiable service charges	180,477	20,192	7,277	1,458	16,743	1,310	227,457	219,008
Service charges receivable	9,429	9,192	-	-	9,190	113	27,924	25,420
Care management fee	-	-	-	-	-	-	-	6,638
Net rental income	**189,906**	**29,384**	**7,277**	**1,458**	**25,933**	**1,423**	**255,381**	**251,066**
Amortised government grant	6,508	2,050	-	-	944	129	9,631	9,504
Other revenue income	1,470	221	420	437	237	47	2,832	2,908
Turnover from social housing lettings	**197,884**	**31,655**	**7,697**	**1,895**	**27,114**	**1,599**	**267,844**	**263,478**
Expenditure on letting activities								
Management	31,815	5,164	3,432	432	4,667	454	45,964	49,880
Bad debts	(2,150)	314	-	(51)	-	10	(1,877)	3,984
Service charge costs	12,305	9,158	-	190	9,005	129	30,787	27,577
Routine maintenance	26,099	742	1,206	35	12	79	28,173	31,378
Planned maintenance	45,290	612	1,675	62	-	44	47,683	40,587
Major repairs	6,585	22	164	-	-	-	6,771	8,253
Impairment of housing properties and stock	-	-	-	-	99	-	99	728
Depreciation of housing properties	27,771	5,621	818	-	3,275	166	37,651	34,462
Accelerated depreciation	1,294	-	-	-	-	-	1,294	1,574
Other costs	69	-	-	8	93	384	554	521
Operating costs on social housing	**149,078**	**21,633**	**7,295**	**676**	**17,151**	**1,266**	**197,099**	**198,944**
Operating surplus on social housing lettings	**48,806**	**10,022**	**402**	**1,219**	**9,963**	**333**	**70,745**	**64,534**
Void Losses	**(2,171)**	**(1,658)**	**(182)**	**-**	**-**	**(103)**	**(4,114)**	**(4,943)**

3. (c) Fixed Asset disposals

GROUP	Staircasing £000	Right to buy £000	Other properties £000	2021 Total £000	2020 Total £000
Disposal proceeds	17,279	1,806	17,735	36,820	26,792
Cost of disposals	(7,763)	(1,034)	(3,634)	(12,431)	(9,914)
	9,516	**772**	**14,101**	**24,389**	**16,878**

ASSOCIATION	Staircasing £000	Right to buy £000	Other properties £000	2021 Total £000	2020 Total £000
Disposal proceeds	15,837	1,806	17,735	35,378	26,002
Cost of disposals	(7,462)	(1,034)	(3,634)	(12,130)	(9,695)
	8,375	**772**	**14,101**	**23,248**	**16,307**

4. Units of housing stock

GROUP	Period start	Homes developed/ acquired	Homes sold/ demolished	Other movements	Period end
Social Housing homes					
General needs rent	26,268	5	(81)	(41)	26,151
General needs affordable rent	3,671	259	(9)	(6)	3,915
Supported housing rent	1,003	-	-	(25)	978
Supported housing affordable rent	17	-	-	9	26
Housing for Older people rent	3,465	-	(73)	35	3,427
Housing for Older people affordable rent	54	-	-	3	57
Key workers	1,172	-	-	-	1,172
Low cost home ownership	4,242	235	(118)	1	4,360
Temporary & intermediate housing	458	53	(4)	38	545
Care homes	75	-	-	(6)	69
Total social housing homes owned and or managed	**40,425**	**552**	**(285)**	**8**	**40,700**
Total social housing homes owned but not managed	587	-	(13)	(2)	572
Total social housing homes managed but not owned	50	-	-	-	50
Non social housing					
Market rent	87	-	-	(23)	64
Student accommodation	2,643	-	(808)	-	1,835
Total non social housing homes owned and managed	**2,730**	**-**	**(808)**	**(23)**	**1,899**
Total non social housing homes managed but not owned	181	-	-	-	181
Total owned & managed	**43,155**	**552**	**(1,093)**	**(15)**	**42,599**
Leaseholders	2,251	-	-	41	2,292
Units under construction	3,064				2,812

We own an average 59% equity in shared ownership properties. Included in Leaseholders of 2,292 (2,251) are 99 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	Period start	Homes developed/ acquired	Homes sold/ demolished	Other movements	Period end
Social Housing homes					
General needs rent	26,268	5	(81)	(41)	26,151
General needs affordable rent	3,671	259	(9)	(6)	3,915
Supported housing rent	1,003	-	-	(25)	978
Supported housing affordable rent	17	-	-	9	26
Housing for Older people rent	3,465	-	(73)	35	3,427
Housing for Older people affordable rent	54	-	-	3	57
Key workers	1,172	-	-	-	1,172
Low cost home ownership	4,242	235	(118)	1	4,360
Temporary & intermediate housing	458	53	(4)	38	545
Care homes	75	-	-	(6)	69
Total social housing homes owned and or managed	**40,425**	**552**	**(285)**	**8**	**40,700**
Total social housing homes owned but not managed	587	-	(13)	(2)	572
Total social housing homes managed but not owned	262	-	-	(6)	256
Non social housing					
Market rent	87	-	-	(23)	64
Student accommodation	2,643	-	(808)	-	1,835
Total non social housing homes owned and managed	**2,730**	**-**	**(808)**	**(23)**	**1,899**
Total non social housing homes managed but not owned	940	-	-	-	940
Total owned & managed	**43,155**	**552**	**(1,093)**	**(15)**	**42,599**
Leaseholders	2,156	-	-	40	2,196
Units under construction	3,064				2,506

We own an average 59% equity in shared ownership properties. Included in Leaseholders of 2,196 (2,122) are 99 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 2021 £000	GROUP 2020 £000	ASSOCIATION 2021 £000	ASSOCIATION 2020 £000
Operating surplus is stated after charging/(crediting):				
Grant amortised	(9,695)	(9,667)	(9,631)	(9,600)
Depreciation – housing properties	37,788	34,791	37,708	34,713
Depreciation – Farncombe Road debtor	(57)	(77)	(57)	(77)
Depreciation – other fixed assets	2,159	2,542	2,159	2,542
Impairment housing properties and stock	(277)	(889)	(277)	(889)
Accelerated depreciation	1,294	1,574	1,294	1,574
Operating lease charges:				
- Land & building	1,742	1,144	1,727	1,117
- Other	392	425	389	421
Auditors' remuneration:				
- in respect of audit services	228	207	206	186
Defined benefit scheme current service cost (note 36)	888	1,112	888	1,112
Defined contribution scheme pension cost	3,914	5,024	3,897	5,005

6. Employees

	GROUP 2021 £000	GROUP 2020 £000	ASSOCIATION 2021 £000	ASSOCIATION 2020 £000
Staff costs (including directors) consist of:				
Wages & salaries	56,086	60,091	55,836	59,791
Social security costs	5,625	5,881	5,600	5,853
Pension costs	4,802	6,136	4,785	6,117
Redundancy costs	112	295	112	295
	66,625	72,403	66,333	72,056

More details on pension costs can be found in note 36. The Group received £0.5 million (2020: Nil) through the Coronavirus Job Retention Scheme (CJRS). This income was 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:

FTE ANALYSIS	GROUP 2021 FTE	GROUP 2020 FTE	ASSOCIATION 2021 FTE	ASSOCIATION 2020 FTE
Administration	250	239	250	239
Development	65	62	65	62
Housing, Support and Care	1,119	1,190	1,119	1,190
	1,434	1,491	1,434	1,491

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 2021 disclosed on page 136.

GROUP AND ASSOCIATION	2021 £000	2020 £000
The emoluments of the Executive Officers were:		
Executive directors' emoluments (excluding pension)	1,016	1,148
Pension contributions	95	93
The Group Chief Executive was the highest paid director in 2020/21;		
total remuneration (excluding pension contributions) for the year	245	263

The Group Chief Executive is a member of Optivo's defined contributions scheme which is managed by TPT Retirement Solutions. A contribution of £24,033 (2020: £23,362) 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.

There were no payments made in respect of directors' loss of office (2020: Nil).

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

GROUP AND ASSOCIATION	2021 Employees	2020 Employees
Band		
£60,000 - £70,000	70	63
£70,001 - £80,000	33	33
£80,001 - £90,000	23	23
£90,001 - £100,000	10	9
£100,001 - £110,000	7	11
£110,001 - £120,000	11	6
£120,001 - £130,000	4	5
£130,001 - £140,000	2	2
£140,001 - £150,000	3	-
£150,001 - £160,000	2	2
£160,001 - £170,000	2	1
£220,001 - £230,000	2	-
£230,001 - £240,000	1	1
£240,001 - £250,000	-	2
£260,001 - £270,000	1	-
£280,001 - £290,000	-	1
	171	159

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 2020/21:

	2021 Remuneration £	2021 Expenses £	2021 Total £	2020 Total £
Sir Peter Dixon	22,285	71	**22,356**	21,822
Eugenie Turton CB	16,956	-	**16,956**	9,149
Geanna Bray	11,674	-	**11,674**	10,241
Howard Cresswell	11,673	-	**11,673**	11,430
Michelle Dovey	11,673	-	**11,673**	12,094
Andrew Wiseman	9,672	-	**9,672**	11,430
Nick Stephenson	9,020	-	**9,020**	8,871
Damien Régent	8,798	-	**8,798**	-
Andrew Burder	8,359	-	**8,359**	3,117
Nigel Tinker	7,336	-	**7,336**	-
Candice McCausland	4,600	-	**4,600**	8,365
Charles Joseland	4,313	-	**4,313**	-
Liz Curran	3,184	-	**3,184**	3,290
Kathryn Smith	3,184	-	**3,184**	3,135
Matthew Abbott	3,184	-	**3,184**	3,117
Maureen Nicholas	3,184	-	**3,184**	3,150
Malcolm Zack	3,184	-	**3,184**	3,117
Andrew Hill	1,600	-	**1,600**	-
Carolyn Porretta	1,600	-	**1,600**	-
Naveed Chaudry	1,241	-	**1,241**	3,117
Helen Sachdev	935	-	**935**	3,138
Rosemary Ley	806	-	**806**	2,991
Phillippa Brown	630	-	**630**	2,111
David Clifford	-	-	**-**	10,516
Maureen Handy	-	-	**-**	1,729
Michelle Wright	-	-	**-**	143
Neil Ferguson	-	-	**-**	1,811
Patricia Arnold	-	-	**-**	1,234
Patricia Caro	-	-	**-**	53
Paul Crouch	-	-	**-**	6,117
Ralph Scott-Gordon	-	-	**-**	108
Samantha Herelle	-	-	**-**	4,258
Vishal Dixit	-	-	**-**	6,650
	149,091	71	**149,162**	156,304

The Fresh Visions People Limited Trustees are unpaid. The total payments to Board and Committee members in 2020/21 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. (Deficit) / surplus on disposal of commercial properties and other fixed assets

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Disposal proceeds	27,030	1,766	27,030	1,766
Cost of disposals	(27,056)	(1,212)	(27,056)	(1,212)
	(26)	554	(26)	554

10. Interest receivable and income from investments

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank and deposit interest	467	712	2,928	251
Investment income	158	402	158	402
From subsidiary undertaking	-	-	2,186	3,149
	625	1,114	5,272	3,802

11. Interest and financing costs

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans	40,773	38,588	40,619	38,382
Swap payments	17,445	14,342	17,047	13,962
Recycled capital grant fund	25	196	25	196
Other interest payable	4,230	3,401	4,632	3,745
Net interest on pension funds	660	1,150	660	1,150
	63,133	**57,677**	**62,983**	**57,435**
Interest capitalised on construction of housing properties	(9,239)	(9,693)	(9,239)	(9,693)
	53,894	47,984	53,744	47,742
Other financing costs through income and expenditure				
Gain / (loss) on basic swap derivative instruments'	34,788	(22,824)	34,788	(22,824)
Other financing costs through other comprehensive income				
Gain/(loss) on hedged derivative instrument	523	(77)	-	-

12. Taxation

GROUP AND ASSOCIATION	2021 £000	2020 £000
Current Tax		
Current tax on income for the period	-	-
Adjustment in respect of previous periods	-	27
Total current tax	-	27

GROUP AND ASSOCIATION	2021 £000	2020 £000
Reconciliation of tax recognised in income and expenditure		
Surplus on ordinary activities before taxation	90,390	18,010
Corporation tax charged at 19% (2020: 19%)	17,174	3,422
Effects of		
Charitable surpluses not taxed	(17,174)	(3,422)
Adjustment in respect of prior periods	-	27
	-	27

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

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 Ltd. Optivo paid Corporation tax of £27,000 in 2019/20, this was tax due for financial year 2017/18 (2020: £0).

13. (a) Tangible fixed assets – housing properties

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 2020	2,657,888	130,119	465,481	94,177	3,347,665
Reclassify prior year *	3,776	(4,015)	(34,326)	34,565	-
Additions during year	919	165,779	504	22,307	189,509
Improvements	20,144	-	-	-	20,144
Transfer to investment property (note 15)	(389)	-	(133)	-	(522)
Transfer from current assets	-	-	(2,750)	172	(2,578)
Tenure change	-	580	-	(580)	-
Transfer on completion	71,450	(71,450)	42,399	(42,399)	-
Disposals - property	(8,026)	-	(6,978)	-	(15,004)
Disposals - components	(4,911)	-	-	-	(4,911)
At 31 March 2021	**2,740,851**	**221,013**	**464,197**	**108,242**	**3,534,303**
Depreciation and impairment					
At 1 April 2020	397,454	-	23,129	-	420,583
Depreciation charge for the year	34,451	-	3,337	-	37,788
Transfer to investment property (note 15)	-	-	(8)	-	(8)
Disposals during year	(2,290)	-	(572)	-	(2,862)
Component disposals during year	(3,617)	-	-	-	(3,617)
Impairment release	-	-	(277)	-	(277)
At 31 March 2021	**425,998**	**-**	**25,609**	**-**	**451,607**
Net book value					
At 31 March 2021	**2,314,853**	**221,013**	**438,588**	**108,242**	**3,082,696**
At 31 March 2020	2,260,434	130,119	442,352	94,177	2,927,082

The cost of land included in the above not subject to depreciation is £1,048 million (2020: £889 million). The net book value of leasehold land and buildings included above is £391 million (2020: £389 million). Additions to housing properties in the course of construction during the year included capitalised interest of £9.2 million (2020: £9.7 million) at an average interest rate during the year of 3.69% (2020: 3.95%).

The total expenditure on works to existing properties during the year was £85 million (2020: £80 million), of which £20 million (2020: £19 million) was capitalised as component replacements, the remainder was expensed.

* For accuracy of accounts, consolidation adjustments were reviewed for prior years and adjusted to present the correct amounts in the correct tenure types. This did not affect the total consolidation number for prior year, only the tenure types.

13. (b) Tangible fixed assets – housing properties

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 2020	2,660,867	125,911	424,090	89,665	3,300,533
Reclassify prior year	-	(239)	-	239	-
Additions during year	924	174,448	504	62,176	238,052
Improvements	20,144	-	-	-	20,144
Transfer to investment property (note 15)	(389)	-	(133)	-	(522)
Transfer from current assets	-	-	(2,750)	172	(2,578)
Tenure change	-	580	-	(580)	-
Transfer on completion	71,450	(71,450)	42,399	(42,399)	-
Transfer to other group member	(98)	-	-	-	(98)
Disposals - property	(8,026)	-	(6,678)	-	(14,704)
Disposals - components	(4,911)	-	-	-	(4,911)
At 31 March 2021	**2,739,961**	**229,250**	**457,432**	**109,273**	**3,535,916**
Depreciation and impairment					
At 1 April 2020	397,395	-	21,830	-	419,225
Depreciation charge for the year	34,433	-	3,275	-	37,708
Transfer to investment property (note 15)	-	-	(8)	-	(8)
Disposals during year	(2,274)	-	(517)	-	(2,791)
Component disposals during year	(3,617)	-	-	-	(3,617)
Transfer to other group member	(16)	-	-	-	(17)
Impairment release	-	-	(277)	-	(277)
At 31 March 2021	**425,921**	**-**	**24,303**	**-**	**450,224**
Net book value					
At 31 March 2021	**2,314,040**	**229,250**	**433,129**	**109,273**	**3,085,692**
At 31 March 2020	2,263,472	125,911	402,260	89,665	2,881,308

The cost of land included in the above which is not subject to depreciation is £1,048 million (2020: £850 million). The net book value of leasehold land and buildings included above is £391 million (2020: £388 million). Additions to housing properties in the course of construction during the year included capitalised interest of £9.2 million (2020: £9.7 million) at an average interest rate during the year of 3.69% (2020: 3.95%).

The total expenditure on works to existing properties during the year was £85 million (2020: £80 million), of which £20 million (2020: £21 million) was capitalised as component replacements.

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

GROUP	Land and building £000	Furniture and office equipment £000	Computer equipment & software £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2020	25,611	11,298	14,851	255	52,015
Additions during year	1,883	504	1,792	34	4,213
Disposal during year	(8,281)	(6)	-	-	(8,287)
At 31 March 2021	**19,213**	**11,796**	**16,643**	**289**	**47,941**
Depreciation					
At 1 April 2020	8,508	10,480	12,602	124	31,714
Charge for the year	761	260	1,079	59	2,159
Disposals during year	(2,736)	(6)	-	-	(2,742)
At 31 March 2021	**6,533**	**10,734**	**13,681**	**183**	**31,131**
Net book value					
At 31 March 2021	**12,680**	**1,062**	**2,962**	**106**	**16,810**
At 31 March 2020	**17,103**	**818**	**2,249**	**131**	**20,301**

The net book value of freehold land and buildings included in the above is £9.5 million (2020: £15.7 million). The net book value of leasehold buildings included in the above is £3.2 million (2020: £1.4 million).

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

ASSOCIATION	Land and building £000	Furniture and office equipment £000	Computer equipment & software £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2020	25,611	11,292	14,851	255	52,009
Additions during year	1,883	504	1,792	34	4,213
Disposal during year	(8,281)	(6)	-	-	(8,287)
At 31 March 2021	19,213	11,790	16,643	289	47,935
Depreciation					
At 1 April 2020	8,508	10,474	12,602	124	31,708
Charge for the year	761	260	1,079	59	2,159
Disposals during year	(2,736)	(6)	-	-	(2,742)
At 31 March 2021	6,533	10,728	13,681	183	31,125
Net book value					
At 31 March 2021	12,680	1,062	2,962	106	16,810
At 31 March 2020	17,103	818	2,249	131	20,301

The net book value of freehold land and buildings included in the above is £9.5 million (2020: £15.7 million). The net book value of leasehold buildings included in the above is £3.2 million (2020: £1.4 million).

15. Investment properties

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
At 1 April 2020	147,306	156,542	130,206	138,872
Transferred from / (to) fixed assets (Note 13)	522	(2,971)	522	(2,971)
Disposals	(20,702)	(1,210)	(20,702)	(1,210)
Revaluation in year	4,665	(5,055)	4,175	(4,485)
At 31 March 2021	131,791	147,306	114,201	130,206

The Association'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.

They made the reasonable assumption that income for the 2021/22 academic year will not be significantly impacted by Covid-19 and benchmarked 2021/22 rents with competing schemes. Rental growth is assumed from the 2020/21 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 7.00% to 13.75% and net initial yields range from 4.07% to 12.41%. 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 £4.7 million (2020 – deficit of £5.0 million) has been included in the statement of comprehensive income for the year.

16. Investments in joint ventures

GROUP

	2021 £000	2020 £000
At 1 April 2020	8,846	4,578
Cumulative contribution	580	4,650
Loan repayments	(2,950)	(538)
Cumulative share of joint venture profit	622	156
At 31 March 2021	7,098	8,846

In December 2018 Optivo Homes Limited, a subsidiary of Optivo, entered into an agreement with Galliford Try Homes Limited (now Vistry Linden Ltd) 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		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
At 1 April 2020	2	2	14	14
Disposed in year	(2)	-	(1)	-
At 31 March 2021	-	2	13	14

18. Properties held for sale

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Completed	23,867	25,141	21,720	23,885
Under construction	91,900	89,317	44,564	34,087
	115,767	114,458	66,284	57,972

19. Trade and other debtors

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Due within one year				
Rental and service charge arrears	17,903	16,861	17,813	16,759
Provision for doubtful debts	(3,539)	(5,356)	(3,539)	(5,356)
	14,364	**11,505**	**14,274**	**11,403**
Social housing grant receivable	7,122	3,409	7,122	3,409
Trade debtors	3,792	2,764	3,423	2,982
Other debtors	7,500	1,603	1,295	511
Amounts owed by subsidiary undertakings	-	-	254	1,324
Prepayments and accrued income	6,042	10,569	5,996	7,395
VAT	269	1,549	-	814
Amounts due from related parties	-	605	-	605
	39,089	**32,004**	**32,364**	**28,443**
Due after more than one year				
Leaseback schemes	2,148	2,401	2,148	2,401
Service charge debtor	8,327	7,266	8,322	7,266
Liquidity fund*	3,111	3,244	3,111	3,244
Other debtors	1,236	113	1,236	113
Amounts owed by subsidiary undertakings	-	-	69,151	114,647
	14,822	**13,024**	**83,968**	**127,671**
Total debtors	**53,911**	**45,028**	**116,332**	**156,114**

*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 (2020: £Nil).

At 31 March 2021, there was £8.6 million (2020: £9.2 million) 'ring-fenced' cash in interest bearing bank accounts relating to cash sums held by the Association for specific purposes.

21. Cash and cash equivalents

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash and cash equivalents	86,780	137,449	74,859	130,137
	86,780	137,449	74,859	130,137

Total Group cash and short term investment balances of £86.8 million (2020: £137.4 million) include £14.3 million (2020: £13.2 million) held in separate accounts for 'ring-fenced' sinking funds on behalf of leaseholders.

22. Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Social housing grant (note 24)	9,760	9,810	9,696	9,745
Interest payable	12,095	6,669	11,377	6,039
Loans and borrowings (note 28)	212,172	46,066	211,569	45,540
Taxation and social security	830	806	830	806
Rent & service charge in advance	24,259	22,521	23,660	22,025
Accruals and deferred income	67,795	62,439	65,045	56,060
Amounts due to subsidiary undertakings	-	-	3,615	2,050
Disposal proceed fund (note 27)	257	257	257	257
Recycled capital grant fund (note 26)	15,862	9,113	15,771	9,063
	343,030	157,681	341,820	151,585

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

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Loans and borrowings (note 28)	1,292,337	1,438,993	1,285,171	1,430,789
Derivative financial instruments	135,991	171,302	133,953	168,740
Lease Premium Grant Subsidy	177	260	177	260
Service charge creditor	2,302	2,927	2,287	2,920
Social Housing Grant (note 24)	922,041	903,764	918,553	900,057
Recycled Capital Grant Fund (note 26)	7,105	14,856	6,738	14,608
Other creditors	94	876	94	877
	2,360,047	2,532,978	2,346,973	2,518,251

24. Social Housing Grant received

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant - housing properties	931,801	913,574	928,249	909,802
Recycled Capital Grant Fund (note 26)	22,967	23,969	22,509	23,671
Disposals Proceeds Fund (note 27)	257	257	257	257
Cumulative amount amortised	190,168	182,360	188,743	180,943
	1,145,193	1,120,160	1,139,758	1,114,673

25. Social Housing Grant

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
As at 1 April 2020	913,574	890,243	909,802	886,285
Grants received during the year	28,196	25,382	28,197	25,387
Grant Recycled	4,532	10,832	4,532	10,832
Disposals	(4,806)	(3,212)	(4,651)	(3,094)
Grants amortised during the year	(9,695)	(9,671)	(9,631)	(9,608)
At 31 March 2021	931,801	913,574	928,249	909,802
Social Housing Grant	931,801	913,574	928,249	909,802
Cumulative amount amortised	190,168	182,360	188,743	180,943

26. Recycled Capital Grant Fund (RCGF)

GROUP

	2021 Homes England £000	2021 GLA £000	2020 Homes England £000	2020 GLA £000
At 1 April 2020	7,733	16,236	6,641	24,083
Grants recycled	906	2,599	1,474	1,906
Grants reclassified	24	(24)	-	-
Interest accrued	8	17	48	148
New development and repairs to existing properties	-	(4,532)	(430)	(9,901)
At 31 March 2021	8,671	14,296	7,733	16,236
Amount due for repayment to Homes England/GLA				
Within one year	6,236	9,626	5,483	3,630
Within 2 to 3 years	2,435	4,670	2,250	12,606
	8,671	14,296	7,733	16,236

ASSOCIATION

	2021 Homes England £000	2021 GLA £000	2020 Homes England £000	2020 GLA £000
At 1 April 2020	7,733	15,938	6,641	23,827
Grants recycled	906	2,390	1,474	1,750
Transfers	-	(1)	-	114
Transferred from other Group members	24	26	-	-
Interest accrued	8	17	48	148
New development and repairs to existing properties	-	(4,532)	(430)	(9,901)
At 31 March 2021	8,671	13,838	7,733	15,938
Amount due for repayment to Homes England/GLA				
Within one year	6,236	9,535	5,483	3,580
Within 2 to 3 years	2,435	4,303	2,250	12,358
	8,671	13,838	7,733	15,938

27. Disposal Proceeds Fund (DPF)

GROUP & ASSOCIATION

	2021 Homes England £000	2021 GLA £000	2020 Homes England £000	2020 GLA £000
At 1 April 2020	257	-	576	181
New development and repairs to existing properties	-	-	(319)	(181)
At 31 March 2021	257	-	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 has been granted an extension to use the outstanding balance at March 2021 by March 2022.

28. Loans and borrowings

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Housing loans repayable:				
Within one year	212,172	46,066	211,569	45,540
One to two years	21,670	43,473	20,938	42,869
Two to five years	158,582	291,755	156,293	289,500
More than five years	556,344	698,690	551,201	692,780
Deferred financing costs	(6,681)	(8,192)	(6,557)	(8,059)
	942,087	**1,071,792**	**933,444**	**1,062,630**
Loans repayable by instalments, some of which fall due to be repaid in more than five years:	948,768	1,079,984	940,001	1,070,689
Deferred financing costs	(6,681)	(8,192)	(6,557)	(8,059)
	942,087	**1,071,792**	**933,444**	**1,062,630**

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Housing loans repayable:				
Loans and debentures	947,234	1,078,387	938,467	1,069,092
Loan premiums	1,534	1,597	1,534	1,597
Deferred financing costs	(6,681)	(8,192)	(6,557)	(8,059)
Net housing loans due within one year and after more than one year	**942,087**	**1,071,792**	**933,444**	**1,062,630**
Inter-company loan	-	-	563,296	413,699
Bond	550,000	400,000	-	-
Bond premium	17,109	17,552	-	-
Bond set up costs	(4,687)	(4,285)	-	-
Net bond balance	**562,422**	**413,267**	**-**	**-**
Net borrowings	**1,504,509**	**1,485,059**	**1,496,740**	**1,476,329**

28. Loans and borrowings continued

Optivo Group has £1.6 billion loan facilities (excluding the bonds) (2020: £1.5 billion). This includes undrawn committed loan facilities of £640 million (2020: £405 million), of these committed loan facilities £640 million was fully secured at the balance sheet date and available to draw at short notice. Loans bear fixed rates of interest ranging from 1.5% to 11.3% or variable rates based on a margin above LIBOR year (2020: 1.25% to 11.3%). In 2020/21 the group made loan repayments of £281 million.

In addition to the above, at 31 March 2021 the Group has £550 million of corporate bonds in issue. £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 the balance. No accounting entries have been made in 2020/21 for the tap of the 2043 bond.

Included in net housing loans and net bond balance are set up costs of £11.4 million (2020: £12.5 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 £136 million (2020: £171 million). Adjustment is made to fair value for credit risk where this is considered material. The majority of interest rate swap arrangements are on simple terms requiring payment of a fixed rate ranging from 0.72% to 5.31% and receiving a variable rate from the counterparty. In the majority of cases the variable rate is linked to LIBOR. Our swap portfolio has maturity dates ranging from 2021 to 2042. On maturity it is expected that no swap arrangements will attract a significant settlement cost.

We are in discussion with lenders and swap counterparties to amend our debt and interest rate derivatives contracts due to the planned future cessation of LIBOR.

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

	2021 £000	2020 £000
Fixed rate	1,447,988	1,165,401
Floating rate	49,246	282,986
Capped	-	30,000
	1,497,234	1,478,387

A movement on the fair value of the derivative financial instrument portfolio surplus of £34.8 million (2020: £22.8 million deficit) has been recognised in the statement of comprehensive income in the year. Fair value is determined by reference to the mark to market position of the derivative instruments at each reporting date.

At 31 March 2021, 32,790 (2020: 30,509) homes are charged as security to lenders valued at £3.49 billion (2020: £2.99 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	2021 £000	2020 £000
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	(135,991)	(171,302)
Derivative financial instruments designated		
as cash flow hedges of variable interest rate risk	(2,039)	(2,562)

30. Provisions

	2021 £000
At 1 April 2020	760
Decrease in year	(80)
At 31 March 2021	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 (2020: £37.3 million) relating to stock swaps which would be repayable to the grant provider in the event that this stock is disposed.

32. Non-equity share capital

ASSOCIATION

	2021 £	2020 £
At 1 April 2020	50	64
Issued in year	3	2
Cancelled in year	(3)	(16)
At 31 March 2021	50	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

Commitments for expenditure on developments

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Capital expenditure contracted for but not provided for in the financial statement	498,359	512,046	461,675	425,623
Capital expenditure which has been authorised by the Board but not yet contracted for	43,714	140,042	43,714	140,042

The amount contracted for at 31 March 2021 will be funded from grants approved by Homes England / GLA 7% (2020: 3%) or will be financed from property sales 44% (2020: 55%) and private loans / cash generated from the business 49% (2020: 42%). Under regulations approved by Board, expenditure to certain levels may be authorised by appropriate officers, and such authorised expenditure is included above.

Commitments for expenditure on components

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Capital expenditure contracted for but not provided for in the financial statement	17,815	20,328	17,815	20,149
Capital expenditure - replacement component authorised by the Board but not yet contracted for	669	654	669	654

The amount contracted for at 31 March 2021 will be funded by cash generated from the business.

34. Commitments under operating leases

At 31 March 2021 the Group and Association had total commitments under non-cancellable operating leases as follows:

	GROUP		ASSOCIATION	
	2021 £000	2020 £000	2021 £000	2020 £000
Land and buildings				
Leases expiring within one year	1,051	1,053	1,051	1,036
Two to five years	3,655	4,617	3,655	4,617
Over five years	5,488	6,831	5,488	6,831
	10,194	12,501	10,194	12,484
Other				
Leases expiring within one year	182	193	182	193
Two to five years	251	434	251	434
	433	627	433	627
Total	10,627	13,128	10,627	13,111

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

	2021 £000	2020 £000
Investments		
Amounts owed by related parties at year end	7,098	9,451

Ealing Care Alliance
The Group held a 16% interest in Ealing Care Alliance (Holdings) Limited. The Group provided care services to Ealing Care Alliance Limited, the wholly owned subsidiary of Ealing Care Alliance (Holdings) Limited, until February 2020 when service provision transferred to a new provider. The Group had surplus on investment disposal of £0.7 million as mentioned in note 3a and repayment of loan to the Group of £0.6 million.

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 £3.0 million (2020: £0.5 million) from the joint venture in the year and contributed £0.6 million (2020: £4.1 million) to the joint venture in the year.

Ink Development Company
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.

35. Related party disclosures (continued)

The following transactions took place during the year:

	2021 £000	2020 £000
Net sales and purchase of goods and services	10,780	12,521
Debtors due to Ink	1,678	1,263
Creditor due from Ink	789	702
Administration fees	311	366

Management services
The Association provides central management services to its subsidiaries.
The quantum of the 2020/21 charges applied for these services to each subsidiary is as follows:

	2021 £000	2020 £000
Optivo Development Services Ltd	1,583	996
Lamborn Estates Ltd	187	109
Crystal Palace Housing Association Ltd	147	141
Eason Gruaz Homes	4	5
The Fresh Visions People Ltd	3	3
Charity of Julia Spicer for Almshouse	11	13
Total	1,935	1,267

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

Name of undertaking	Nature of the Transaction	2021 £m	2020 £m
Optivo Finance Plc	Inter-company loan to Optivo		
	- bond issue	(150.0)	(100.0)
	- concessionary loan	-	(13.9)
Optivo Development Services Ltd	Development cash flow	(142.1)	(14.6)
Lamborn Estates Ltd	Inter-company loan to Lamborn	19.7	(19.0)
Linden (Rainham) LLP	Contribution to JV	(6.4)	(8.8)
Ealing Care Alliance Limited	Care services	1.4	10.3

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 £20.3 million (2020: £9.4 million).

Interest on the Lamborn Estates Ltd loan is charged at LIBOR plus 5%. Interest charged in the year was £2.0 million (2020: £3.0 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 Scheme (KCCS) 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.

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

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

During the prior year, Optivo participated in and settled its liabilities in TPT Retirement Solutions – The Growth Plan and London Borough of Ealing (LBE), following the departure of its last active members with the divestment of ECA Care homes.

With effect from the end of the prior year, Optivo entered into an agreement to transfer all its assets and liabilities from the Social Housing Pension Scheme (SHPS) to the new stand-alone OPS, on a mirror image basis. Contributions to this scheme continue to be at the level determined by the actuarial valuation of SHPS as at 30 September 2017. As a result of this transfer agreement, Optivo is no longer liable for other participating employers in SHPS as part of the 'last man standing arrangement' within SHPS.

In April 2018 sufficient information became available within SHPS to enable Optivo to account for its obligations on a defined benefit basis. Prior to that date it had accounted for the obligation by stating the present value of agreed deficit repayment contributions. Included in the aggregate figures below are employer contributions of £6.8 million (2020: £2.5 million), service cost of £0.2 million (2020: £0.3 million) and administration expense of £0.1 million (2020: £0.1 million) in respect of the OPS.

From that date, it has been possible to account for all schemes apart from the Growth Plan on a defined benefit basis, and the following disclosures are the aggregate for SHPS, HHGPS, KCC, ESCC, LBE and LBB. The latest triennial valuations were carried out as at 30 September 2017, 31 March 2017 and 31 March 2019 for SHPS, HHGPS and the four Local Government Pension Schemes respectively. A valuation of the HHGPS as at 30 March 2020 was completed after the year end on 1 April 2021.

	2021 £000	2020 £000
Funding position at 31 March		
Share of assets	196,444	165,855
Estimated liabilities	(238,249)	(199,572)
Net deficit	(41,805)	(33,717)

	2021 £000	2020 £000
Amounts charged to operating surplus for year to 31 March		
Current service cost	888	1,112
Administration expenses	229	193
Settlement	-	(251)
Past service costs	13	120
Total operating charge	1,130	1,174

36. Pension commitments (continued)

	2021 £000	2020 £000
Amounts charged to interest and financing cost for year to 31 March		
Net interest cost	660	1,148

	2021 £000	2020 £000
Amount recognised in statement of comprehensive income for year to 31 March		
Actual return less expected return on assets	20,918	(12,265)
Experience gains	4,810	2,399
Change in financial and demographic assumptions	(42,852)	24,116
Total actuarial (loss) / gain	(17,124)	14,250

	2021 £000	2020 £000
Analysis in movement in surplus in year to 31 March		
Deficit at beginning of the year	(33,717)	(52,638)
Total contributions	10,826	6,993
Current service cost	(888)	(1,112)
Past service costs	(13)	(120)
Settlement	-	251
Other finance costs	(660)	(1,148)
Administration expense	(229)	(193)
Actuarial (loss)/gain	(17,124)	14,250
Deficit in the scheme at the end of the year	(41,805)	(33,717)

	2021 £000	2020 £000
Reconciliation of opening and closing balances of fair value of assets as at 31 March		
Opening fair value of assets	165,855	179,455
Expected return on assets	3,927	4,160
Actuarial gains/(losses) on assets	20,918	(12,254)
Other losses	-	(11)
Contributions by the employer	10,826	6,993
Contributions by the participants	357	367
Administration expense	(229)	(193)
Settlement	-	(5,941)
Net benefits paid out	(5,210)	(6,721)
Closing fair value of assets	196,444	165,855

36. Pension commitments (continued)

	2021 £000	2020 £000
Reconciliation of opening and closing balances of the present value of scheme liabilities as at 31 March		
Opening present value of liabilities	199,572	232,093
Service costs	888	1,112
Change in assumptions	42,852	(24,116)
Interest costs	4,587	5,308
Contributions by participants	357	367
Experience (losses)	(4,810)	(2,399)
Net benefits paid out	(5,210)	(6,721)
Settlement	-	(6,192)
Past service costs	13	120
Closing present value of liabilities	238,249	199,572

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

OPS	2021	2020
Equities	16%	15%
Bonds	46%	53%
Property	4%	4%
Absolute return funds	0%	5%
Cash	4%	0%
Other	30%	23%

HHGPS	2021	2020
Equities	37%	42%
Bonds	42%	25%
Property	0%	0%
Absolute return funds	21%	33%
Cash	0%	0%
Other	0%	0%

Local Government Pension Schemes	2021	2020
Equities	59% - 76%	57% - 71%
Bonds	13% - 27%	14% - 33%
Property	4% - 10%	5% - 14%
Absolute return funds	0% - 7%	0% - 8%
Cash	2% - 10%	2% - 5%
Other	0% - 0%	0% - 0%

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:

	2021	2020
Current male pensioners	21.1 - 21.9 years	20.8 - 21.8 years
Current female pensioners	23.5 - 24.4 years	22.7 - 24.0 years
Future male pensioners	21.9 - 23.4 years	21.9 - 23.2 years
Future female pensioners	25.0 - 26.4 years	23.9 - 25.7 years

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

	2021	2020
Rate of general long term increase in salaries	2.9% - 4.2%	1.9% - 3.5%
Rate of increase in pension payment	2.9% - 3.3%	1.9% - 2.6%
Discount rate	1.9% - 2.2%	2.2% - 2.4%
Inflation assumption (CPI)	2.6% - 3.1%	1.6% - 2.5%

TPT Retirement Solutions – The Growth Plan
During the prior year Optivo participated in the Growth Plan, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

With effect from 30 June 2019, Optivo ceased to have any active members in the Growth Plan and has now settled its debt on withdrawal. Optivo no longer has any liability in respect of the Growth Plan either in respect of its own members or under the last man standing provisions.

36. Pension commitments (continued)

Disclosures in respect of the prior year only are as follows.

Reconciliation of opening and closing provision

	2020 £000
Provision at start of period	695
Unwinding of the discount factor (interest expense)	2
Deficit contribution paid	(2,045)
Settlement	1,348
Provision at end of period	-

Amounts charged to income & expenditure

	2020 £000
Interest expense	2
Settlement	1,348

Other company information

Board Members, Executive Officers and Advisers

Optivo Board

Sir Peter Dixon
Chair

Eugenie Turton CB
Vice Chair

Grace Alaneme
Appointed 1 June 2021

Geanna Bray
Chair of Customer Experience Committee

Andy Burder

William Howard Cresswell
Chair of People, Governance & Remuneration Committee

Michelle Dovey
Chair of Treasury Committee

Paul Hackett
Chief Executive

Kanye Kola
Appointed 1 June 2021

Damien Régent
Chair of Audit & Risk Committee

Nick Stephenson

Chris Tinker
Chair of Growth Committee

Optivo Executive Team

Paul Hackett
Group Chief Executive

Kerry Kyriacou
Executive Director Development & Sales

Sarah Smith
Chief Financial Officer

Jane Porter
Chief Operating Officer

Joanne Stewart
Executive Director for People

Secretary & registered office

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