2018-19

Orbit Group

Annual Report and Financial Statements

For the year ended
31 March 2019

orbit building communities

St Anne's Quarter, Norwich

Contents

2018/19 Highlights 4
Five Year Summary of Financial Highlights 6
Group Chair's Introduction 9
Group Chief Executive's Report 10
Group Board 14

STRATEGIC REPORT 16

Our 2020 Strategy 16
Our Service 21
Our Property 26
Our People 32
Profit 34
Risk and Compliance 37
Corporate Social Responsibility 38
Value For Money 44
Corporate Finance and Treasury 52

BOARD REPORT 56

Business overview 56
Risk management 57
Governance 60
Statement of internal control 62
Statement of Board responsibilities 63
Independent Auditor's report 64

FINANCIALS 64

Statement of Comprehensive Income 66
Statement of Changes in Reserves 67
Statement of Financial Position 68
Statement of Cash Flows 69
Notes to the Financial Statements 70

Operating surplus for the year

£116m

Last year £116m
(operating margin % 36.8%
Last year 32.5%)

Customer satisfaction

86.1%

Last year 82.7%

Transactions online

61%

Last year 51%

Units in our development pipeline

6,300

Last year 5,500

Community investment

£4.7m

Last year 3.8m

Investment in stock

£81m

Last year £74m

Best Company
to Work For

£129m
Homes England

2 RoSPA
Gold Awards

£450m
bond

Family generations at Erith Park, London Borough of Bexley

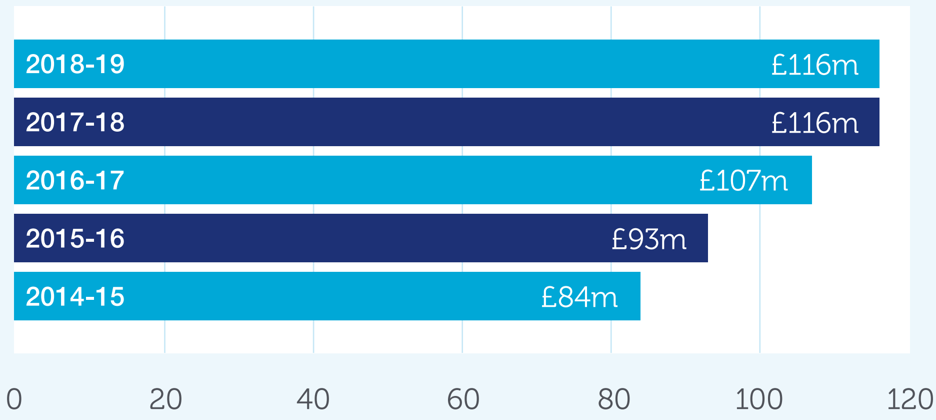
Five Year Summary of Financial Highlights

Statement of comprehensive income	**2018-19 £m**	**2017-18 £m**	**2016-17 £m**	**2015-16 £m**	**2014-15 £m**
Turnover	316	357	333	301	250
Operating costs and cost of sale	(230)	(266)	(249)	(228)	(181)
Surplus on sale of housing	30	25	23	20	15
Operating surplus	**116**	**116**	**107**	**93**	**84**
Operating margin %	**36.8%**	**32.5%**	**32.1%**	**30.9%**	**33.6%**

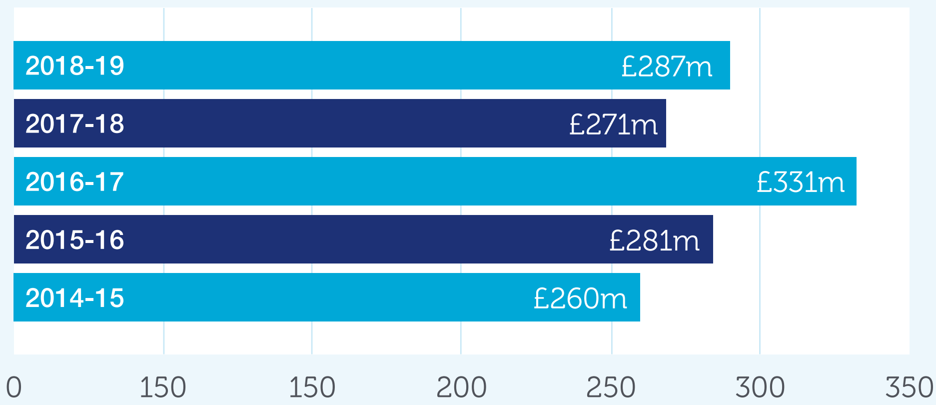
Statement of financial position					
Fixed assets	2,524	2,394	2,272	2,086	1,910
Creditors due after >1 year	2,175	1,957	1,928	1,816	1,691
Revenue reserves	601	573	487	423	377

Key indicators	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
Properties	43,470	42,417	40,610	39,231	38,494
New homes built	1,266	2,030	1,788	1,750	1,521
Debt per unit (£k)	38.9	33.5	33.1	31.0	27.9
Months cash/secured loans available	36	36	36	14	18
Interest cover	2.39	3.09	3.07	2.95	2.86

Operating surplus (£m)



Investment in new homes



Independent Auditors	Registered office
KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH	Garden Court Binley Business Park Harry Weston Road Binley Coventry CV3 2SU

Co-operative and Community Benefit Society Number 28503R
Regulator of Social Housing Number L4123

Erith Park,
London Borough of Bexley

Group Chair's Introduction

Our vision to build thriving communities seeks to make a real difference to our customers' lives. This is reinforced by our profit for a purpose ethos and a multi-million investment programme into homes and communities. Our 2020 targets, initially set in 2013, are coming to fruition; over the seven years we will have built over 12,000 new homes, invested over £30 million back into our communities and attained consistently high levels of customer satisfaction.

Orbit is now one of the largest builders of affordable housing in the UK. Its increasing property portfolio currently stands at 43,000 homes, with a further 20,000 planned over the next 10 years; our services reach over 100,000 people across the midlands, the east and south east of the UK.

The last few years have been challenging for the housing sector. It has faced a number of market headwinds including political and economic uncertainty following the outcome of the vote to leave the European Union. Orbit has responded to tougher market conditions by the adoption of a medium-term delivery plan for new homes with a tenure mix that reduces our financial risk, whilst increasing our proportion of affordable social housing.

As the pressure on the UK housing industry increases, our vision has become ever more important. The Government's Green Paper on social housing is welcomed and highlights a number of changes needed to improve society. I am pleased that Orbit already has in train programmes which drive resident engagement and service choice, and tackle stigma associated with affordable or social housing.

We are passionate about the quality of the design of the homes we build and about the development of safe and sustainable neighbourhoods; we take pride in working with our partners to ensure that we create great communities. This includes the provision of grants to over 70 third sector partners to provide services locally to our customers to help support them through challenging times or enhance their lives through improved skills.

We are able to utilise the strength of our brand to influence housing and welfare policy nationally and regionally. Our contacts with government are wide ranging and this year have included meetings with Ministers to discuss standards of design, universal credit, homeownership, employment and social investment. We will continue to leverage our expertise and capacity with government and other stakeholders through formal partnerships. This includes Homes England, housing developers, off-site construction companies, local and combined authorities, partner housing associations, social enterprise and the third sector.

I am delighted to see further demonstration of our commitment to being a responsible business. In particular, the focus on the environmental agenda through our Orbit Earth campaign has led to reductions in our carbon footprint. We have also invested in wellbeing programmes for employees as well as customers. Investing in these and other similar projects and embedding them into long-term commitments ensures that Orbit will have a lasting social impact.

We know there is much to do as we look to the future. We now concentrate on our next corporate plan. Over the last six months a number of strategic themes and priorities have emerged. We are working with our customers and employees to define our next five-year strategy. I would like to thank my fellow board members, our employees and our partners for working so hard to establish our secure foundations. We will continue to innovate and drive dynamic change within the housing sector, building places where communities can thrive.

The Rt Hon.
Baroness Tessa Blackstone
Group Chair

Chief Executive's Report

These results demonstrate that our focused strategy continues to deliver success across all areas of our operation. A robust balance sheet and performance-driven culture has strengthened our business in uncertain times for the UK economy and the housing sector in particular. Orbit's transformation programme has provided a scalable operating model and the platform to deliver sustainable growth.

Our core mission remains the same. We are clear that we have a significant role to play in tackling housing affordability. We have increased our investment in the delivery of many more affordable homes, the quality of our existing stock, and our core landlord services that we deliver to over 100,000 people.

Our results

Orbit's operating profit for the year was £116 million on a turnover of £316 million (36.8%). Consistently strong annual performance builds our resilience and provides long term financial planning benefits, with revenue reserves now up to £600 million. The issue of our £450 million bond has helped create the requisite funding to deliver 20,000 homes over the next 10 years. We therefore have the capacity we need to grow both the organisation and the social value we want to create.

Business transformation

The completion of our 18-month "Shaping our Future" business transformation programme has not only improved our overall performance but has also created an organisation positioned for further growth and leading service delivery.

Through this period we have launched our new vision, developed new values and simplified our strategic direction. This has created a values led – performance driven culture which is dynamic and agile to meet future needs. Our delivery model, through streamlining, is now more effective and efficient improving value for money.

Ultimately, the benefits are realised through the customer services we offer and this included establishing new team structures and service models to manage tenancies, lettings, property, estates and income. We have also invested in a new IT platform, Microsoft Dynamics 365 that will further transform our operational processes and digital services in the coming years.

Orbit's customer promise ensures that we remain fully focused on the delivery of excellent services. We continually measure our performance against that promise and are pleased to report improvement following a period of transformation. Our feedback score has increased from 82.7% to 86.1%.

> "We are passionate and clear about what we want to achieve and we will continue to demonstrate financial diligence at all levels to drive profits, in order to invest back into building thriving communities"

The Group invested £4.7 million into our communities and more than 3,000 people benefited from our Better Days programme. Through a range of projects, our customers enhanced their skills in employment, digital technology, finance and money management. This programme creates significant social value in reducing financial and social pressures on households, whilst improving skills to build confidence and improve employment prospects.

Through our property management and placemaking teams, we have worked with partners to invest in initiatives to support economic growth. Leading a group of housing providers and working with Big Society Capital, Orbit launched the Community Impact Partnership. This £2.9 million fund will provide capital investment to social enterprises and charities to achieve a positive social and economic impact.

Orbit has been recognised this year by The Royal Society for the Prevention of Accidents with two Gold awards for health and safety. This commitment to customer safety was further endorsed as we became one of the first housing associations to achieve PAS7, the UK's highest fire safety certification.

Creating great homes and communities

This year we have delivered a further 1,266 new homes taking our total completions since 2013 to 9,224. This is in line with our 2020 target of 12,000 new homes. As a specialist in affordable housing, we are pleased to report that 75% of delivery has been in affordable tenures including shared ownership.

We continue to work closely with our partners to increase housing supply over our full range of tenures - social rent, shared ownership, market rent and market sale. Orbit's strategic partnership with Homes England will also help realise this vision through a funding package of £129 million to provide investment for 2,762 affordable new homes.

We currently have over 50 sites under development, with flagship multi-tenure developments at Arden Quarter in Stratford upon Avon, St Anne's in Norwich and Victoria Quarter in Ashford. These developments are transforming areas of industrial or residential decline into modern and vibrant places to live. Moving forward, we will take greater control of our growth through the delivery of our "land- led" development strategy, buying land and designing communities with our partners locally. The purchase of Mickle Well Park, a 95-acre site in Northamptonshire, will see Orbit build 450 new homes as well as providing community facilities and land for a new primary school. We have 6,300 plots in our pipeline for future development which will enable us to maintain an output of 2,000 homes per annum from 2021.

Orbit develops homes across three primary geographies (Midlands, East Anglia and the South East).This diversification of markets provides flexibility in delivery and resilience in the Group.

Investment in existing stock increased by 20% to £40 million and consisted of over 20,000 installations including kitchens and bathrooms. This is in addition to multiple improvements in energy efficiency. We can report that each week, 21 more families are benefitting from reduced heating bills and warmer homes and 75.7% of Orbit homes have achieved an energy efficiency rating of EPC C or above.

Inspiring our people to fulfil their potential

The inclusion in the Sunday Times 100 Best Companies to Work For, Not for Profit listing is a fantastic achievement for Orbit. This recognition reflects the company-wide passion our people have for living our values and delivering our vision.

Sector leading customer service

In a market where competition is increasing for the best talent, Orbit places significant importance on recruitment, engagement, development and retention of people. We are keen to support professional development, funding professional memberships and qualifications. We have seen almost 200 employees benefit from our leadership training and internal secondment programme. We currently have 27 employees on active graduate and apprenticeship programmes, gaining housing experience through wide ranging training and achieving professional qualifications.

We continue to attract and engage employees from all generations and backgrounds that bring energy and drive, aligning to our corporate values. The development of agile working and the modernising of our office spaces allows us to remain performance focused as we continue to grow an organisation of high achievers.

Our future outlook

With our 2020 targets in sight, we continue to invest in new infrastructure to support the delivery of our next corporate strategy. Our vision provides clear direction to position Orbit as a sector leader. We will continue to evolve and refine our offer to better serve our customers. We will do this by providing excellent services, with the necessary digital capability, offering good value, high quality homes through a strong financial foundation.

We are passionate and clear about what we want to achieve and Orbit will continue to demonstrate financial diligence at all levels to drive profits, in order to invest back into building thriving communities.

> "These developments are transforming areas of industrial or residential decline into modern, vibrant places to live"

Mark Hoyland
Group Chief Executive

20,000
new homes
by 2030

St Anne's Quarter development, Norfolk

Group Board

The Rt Hon.
Baroness Tessa Blackstone
Group Chair
Chair, Governance and Remuneration Committee

Mark Hoyland
Group Chief Executive

We continue to invest in the infrastructure required to realise our 2020 targets and to give us the right foundations moving forward.

Steve Brown FCA
Chair, Audit and Risk Assurance Committee

Steven Howlett CBE, DL
Chair, Customer and Communities Committee

David Young CBE

Chris Crook
BSc Hons FRICS
Deputy Chair and Chair, Orbit Homes

Stephen Stone

Detailed information can be found about each Group Board member by visiting orbitgroup.org.uk

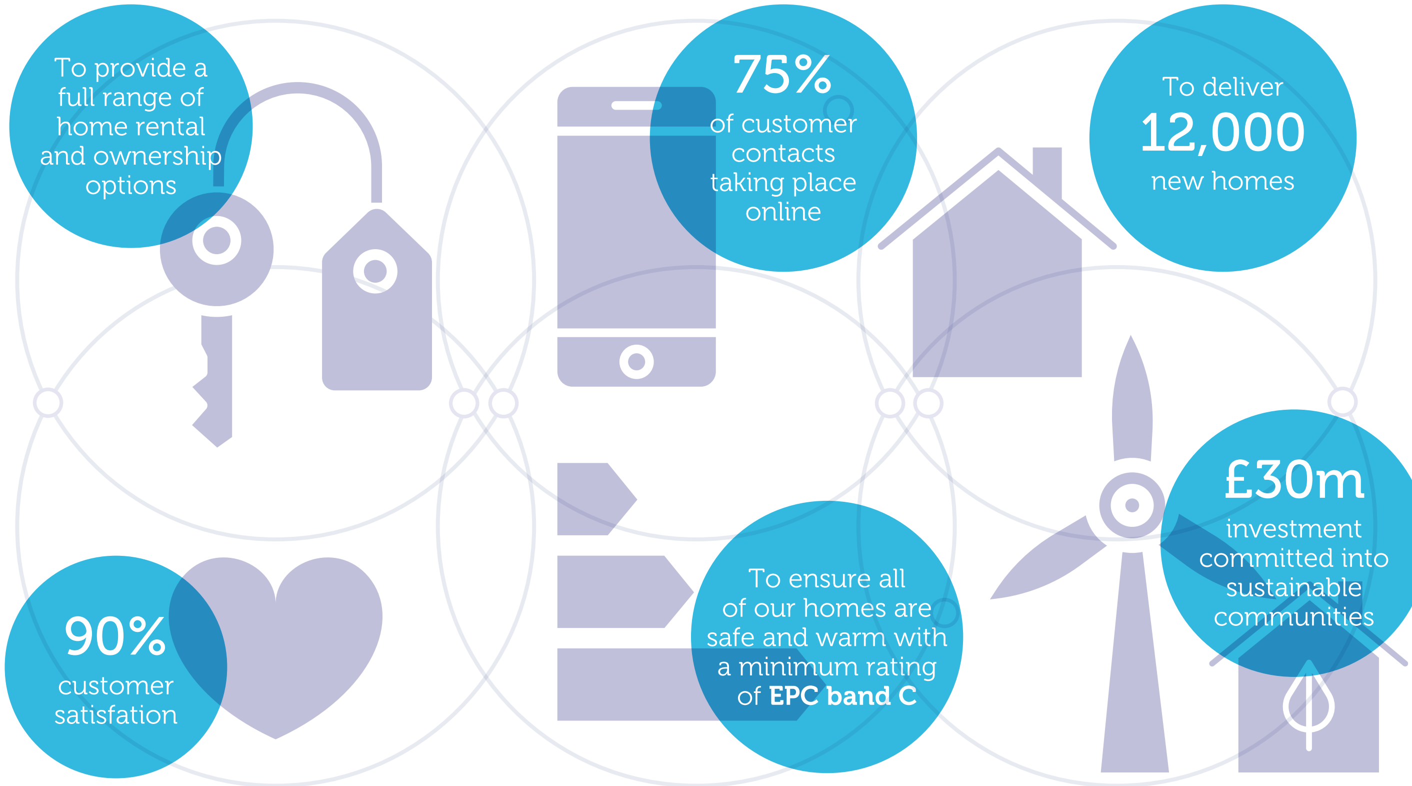
Helen Gillett

David Weaver
Chair, Orbit Treasury Limited and Orbit Capital Limited

Our 2020 Strategy

In 2018, we revisited our vision and values to ensure they reflect our ambition as we start to think and plan beyond 2020. Our vision provides us with clear direction and our values outline the way we will work to achieve our vision.

Our current corporate strategy takes us to 2020 and we are pleased to confirm that we are on course to achieve the following key targets:



Online / digital

We have continued to improve our products and systems to introduce a range of helpful tools for our customers to use. Currently 61% of transactions are online and our IT-led business transformation programme, Microsoft Dynamics 365 will enable us to lead the sector in new technology.

12,000 homes

We continue to grow our infrastructure and capabilities as a housebuilder and we are proud to deliver the majority of our units as affordable housing to local people across the country. Currently we have built 9,224 towards our 12,000 home target.

Customer satisfaction

Everyone at Orbit knows they have a part to play in exceeding customers' expectations and our commitment to this is detailed in our customer promise. Our customer satisfaction is 86.1%.

£30m investment

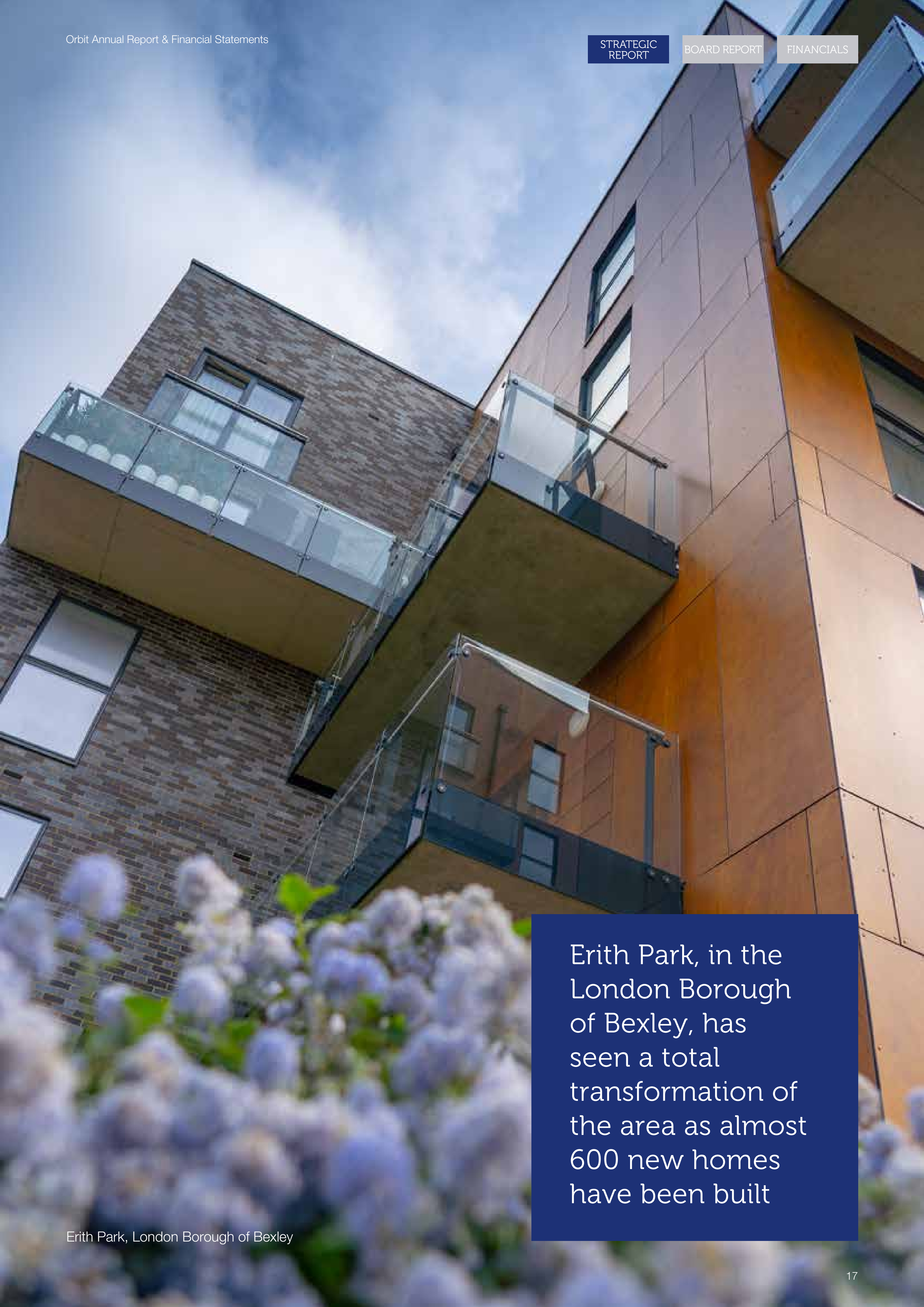
Through our Community Investment Programme, we fund a number of projects to improve the lives of our customers. Since 2013, we have invested £22.8 million in over 100 different charities.

Energy efficiency

Orbit is committed to ensuring all of our homes achieve EPC rating Band C or better. Not only does this meet Orbit's social responsibility ambitions, but it also supports our determination to tackle fuel poverty. To date, 75.7% of Orbit homes have achieved a rating of EPC C or above.

Range of home ownership and rental option

Multiple tenures are essential to building thriving communities. The range of homes ownership we provide – rented, private rent, shared ownership and market sale – means that we have total flexibility to adapt our offering to the changing needs of the market.



Erith Park, in the London Borough of Bexley, has seen a total transformation of the area as almost 600 new homes have been built

Erith Park, London Borough of Bexley

Erith Park,
London Borough of Bexley

Executive Team

Mark Hoyland
Group Chief Executive

Joy Baggaley
Group Finance Director

John Carleton
Group Property Investment Director

Afzal Ismail
Group Corporate Services Director

Paul Richards
Group Customer Services Director

Craig Wilcockson
Group People Director

The next 12 months will see us develop services responding to our customers' needs as we progress with our transformation programme.

Detailed information can be found about each Executive Director by visiting orbitgroup.org.uk

Our intergenerational projects are proving extremely popular in our independent living schemes

Our Service

Customer satisfaction

The service that our customers receive is just as important as the quality of the homes we provide.

We have seen customer satisfaction improve significantly following focused investment around responsive repairs and this is an area where we will continue to concentrate. We have also invested in two new teams, designed to improve our customer experience.

The **Tenancy Sustainment** team offers coaching sessions specifically designed to assist customers who may need additional support with their tenancy. This includes anything from setting up utilities, claiming benefits, going back to work, getting involved in the local community or improving their wellbeing. Tenancy Coaches also signpost to our Better Days programme which provides specialist support relating to employment, digital technology, money, and wellbeing.

The **Property Management** team is a visible presence in our communities, helping to make each neighbourhood look and feel better. They are on hand to respond to enquiries as required and have had a positive impact on our customers' lives through improving many of our estates.

Online / Digital

We have continued to improve our products and systems to introduce a range of helpful tools for our customers to use, including options to check their rental accounts, pay bills, report repairs and sign up to tenancy agreements. This has been achieved online and through the development of a digital app.

Apollo is our IT-led business transformation programme which is updating our digital infrastructure to allow us to move to a new generation of technology. Improving our technology supports our business growth plans and will allow us to provide better customer service with more joined up end-to-end processes and ways of working. It also means our customers will have more choice in how they interact with us as we continue to invest in ways to enhance our service.

Apollo will also ensure improved working for our employees, higher quality data capture and a more streamlined process between customers, suppliers and Orbit.

Better Days

Orbit invests money, services and support into the areas it serves through providing grants to community groups, counselling services and one-to-one support.

Orbit's Better Days programme has helped over 70 different groups and organisations who in turn have reached out to over 3,000 people. By focusing on four key areas – money, employment, wellbeing and digital – Better Days provides targeted support to those customers who need it most. This resulted in 268 customers successfully gaining employment following support from an Orbit job coach, 1,400 people completing employability and skills training and over £6 million being secured in benefits and support payments to customers.

Community Impact Partnership

In November, Orbit announced its involvement in the launch of the Community Impact Partnership – a brand new initiative between four major housing groups (Orbit, Clarion, L&Q and Peabody) to offer grants and loans to social enterprises and charities operating within their communities.

This partnership sees Orbit move from the role of grants provider to that of social investor as it looks at additional ways to support other organisations which have a social purpose within its communities.

The first award was made to The Work People, Hastings – a social enterprise which provides career advice and job placements to over 1,600 candidates each year. The Work People, Hastings will be using the £107,000 fund – broken down into a blended investment of a £69,500 loan and a £37,500 grant – for capital to support its ongoing growth and development, particularly in the areas of management capacity, digital and data analytics.

Amber Rudd MP, Secretary of State for Work and Pensions

Case Study

The Hub and Cinema Club, Bexley

The Hub in Bexley supports its local community in many ways.

As well as a location for support such as counselling and skills training, The Hub provides a venue for a variety of groups to use.

The Hub is now a busy and thriving space and is a prime example of how a building can be put to good use for the benefit of the local community.

The Cinema Club in Bexley was set up following a direct request from one of our customers who saw the potential of getting people of a similar age together to watch a film and enjoy each other's company.

Orbit provided an initial grant to get the club up and running and it has been a success ever since. In just over eight months, the monthly club had grown from 20 to 70 regular visitors.
Based at Slade Green Community Centre, its focus as a place to socialise, meet and come together to help tackle social isolation among the elderly has been critical to its success. We have now increased funding so it is secure for a further two years and fundraising has also taken place to keep the group going as long as possible.

Case Study

Pathways Care Farm, Lowestoft

Pathways Care Farm in Suffolk provides a lifeline for many people through a range of hands-on outdoor activities in a caring and calm environment.

It gives vulnerable people the opportunity to learn, re-build and develop by encouraging them to build on their strengths. Orbit has funded programmes at Pathways to support its customers who need help with their confidence, anxiety, depression and/or social skills. It also gives them valuable work experience.

Work at the 13-acre farm includes animal husbandry, growing fruit and vegetables and basic machinery maintenance.

Being outdoors is a great mood booster and for some of our customers having a place to be at a set time is a real positive in their life. When they work at the farm, they are given designated tasks and work with other volunteers.

This helps to build their social skills, confidence and overall farming knowledge.

Going into an office or factory for work experience to build life skills isn't for everyone and Pathways provides the perfect opportunity to do something outside.

The feedback from our customers is extremely positive and in some cases, Pathways has given them a reason to get up and out; something they find hard to do on certain days.

Independent Living, at St Bede's, Bedford

Case Study

Brunswick Hub, Leamington Spa

We support the Brunswick Hub in Leamington Spa to deliver a variety of services and activities to all members of the local community.

Designed to be a focal point of the community, Brunswick Hub offers an extensive programme which benefits people of all ages.

As well as hosting children's eye clinics, it is also hoping to introduce a new homework club for youngsters.

It holds money, welfare and rights advice appointments as well as a job club and digital training. There is a strong element of wellbeing support through its social clubs and groups.

For the over 55s there are regular sequence and ballroom dances held. it also offers dementia support to patients and their families and the centre is a hearing aid battery supplier for NHS patients. As a member of the Dementia Action Alliance, Brunswick Hub is totally committed to becoming a dementia-friendly centre.

By supporting the Brunswick Hub to host and deliver all of this, Orbit is helping the local community to access a range of financial and wellbeing services which it might not otherwise have access to.

Our Property

Over the last 12 months, we have secured two major funding packages that will take our housebuilding to the next stage as we continue to play a pivotal role in the growth of the UK's housing sector.

The first of which is £450 million we secured in a 30 year bond issue which will enable us to deliver 20,000 new homes over the next 10 years.

The second of which is the Homes England partnership, with funding of £129 million, will provide investment for an additional 2,762 much needed new affordable homes to be in development by 2022.

We maintain core principles around design to ensure the houses we are building, and the communities we are creating, are aspirational to all, regardless of which tenure customers are drawn to.

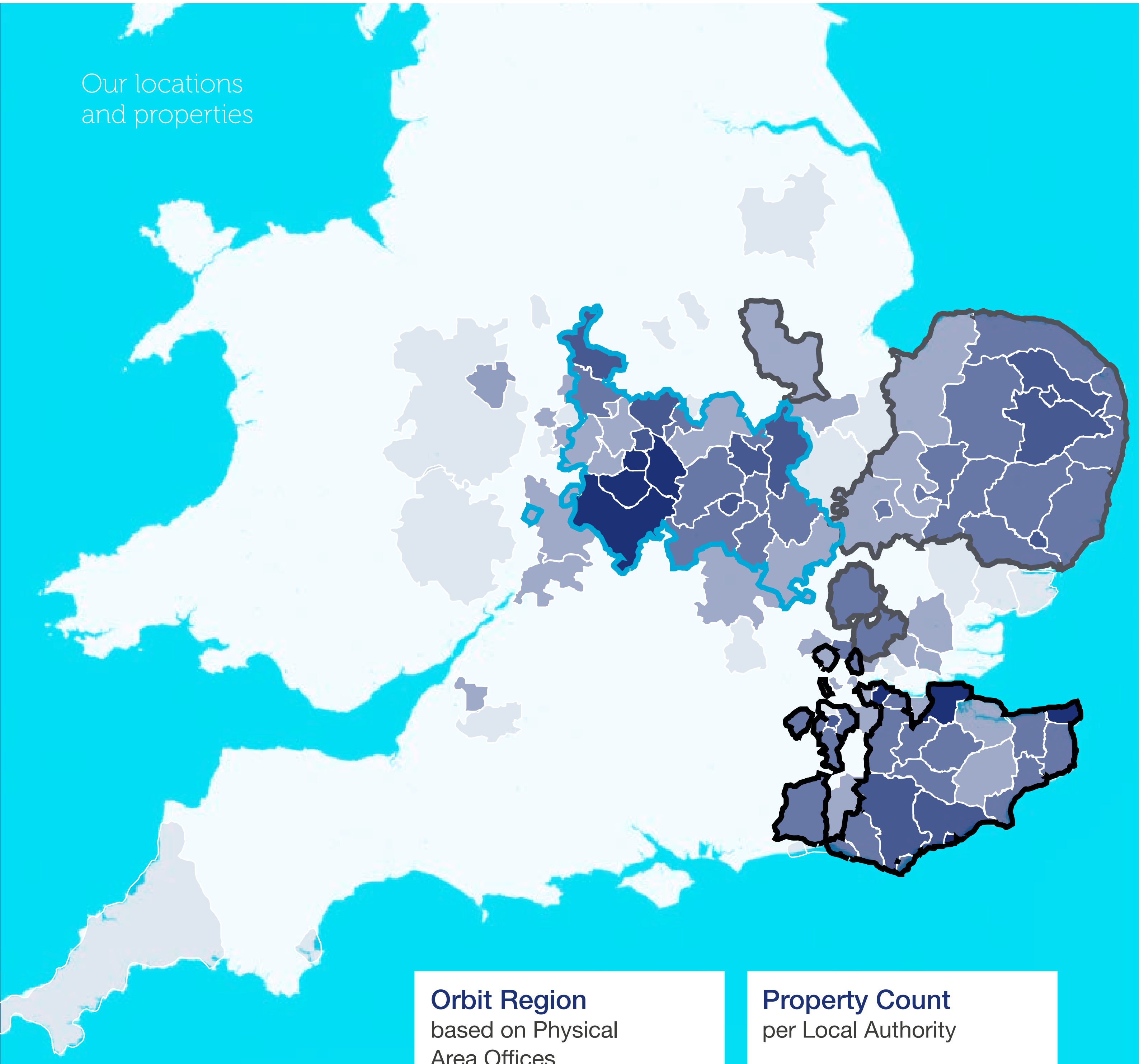
As we look ahead, our design standards will play an important role in our plans to lead in building thriving communities. We have introduced a 12-point strategy in our approach to design which pinpoints how we will 'design-out' any unintended barriers to prevent a community from thriving. From the layout of the homes our customers live in, to the use of environmentally-friendly and energy-efficient materials, Orbit is committed to raising standards and leading the way for cost-effective, efficient and successful design.

Featured Development: St Anne's Quarter

Work is nearing completion at St Anne's Quarter where the building of 437 new homes is set to transform the Norwich riverfront into a high-quality residential-led area.

With 22,000 square feet of commercial space and a central plaza on the riverfront included in the plans, the studio, one and two bedroom apartments and houses will provide thriving community living and leisure opportunities.

Our locations and properties



Orbit Region
based on Physical Area Offices

- East
- Midlands
- South

Property Count
per Local Authority

- Less than 5
- 5 - 99
- 100 - 499
- 500 - 999
- 1000 or more

Modern methods of construction

We are continually looking at new ways of working and at alternative methods of construction in order to improve our offering.

Modular homes, which are constructed off-site and under controlled plant conditions, can be produced in about half the time of traditional building methods. This creates a more environmentally-friendly process and offers improved efficiency and cost savings all of which are a great benefit to us and our customers.

We are currently in the process of testing different types of modular homes as we look at alternative, forward-thinking ways of meeting the demands of customers for tomorrow's UK housing market.

Successful housebuilding and community engagement requires input from a variety of sources and strong partnerships will remain key as our future development plans take shape. This includes our relationship with local authorities to ensure our future planning programmes meet the needs of the locality. This means ensuring the right properties are available, that the needs of the local economy are supported, that jobs are created for local people and that the correct community facilities are included in the infrastructure of the area we are developing.

Mickle Well Park

Our latest venture at Mickle Well Park in Daventry demonstrates our place-led approach to development, where we plan to create a dynamic and attractive new housing development, working extensively with the local community.

As a result, our proposed thriving community will feature a range of homes covering all tenures. In addition, contributions will be made to the local community through a Section 106 package, which includes new local facilities and services.

Two hectares of land will be granted to Northamptonshire County Council for a new two-form entry primary school, with places for up to 420 children and ownership of land at Bridge Spinneys will be transferred to the local Scouts and Guides group for use as their outdoor activities centre.

A further £900,000 has been contributed to the Daventry Phoenix Sports Academy, helping it to raise funds from Daventry District Council and Sports England to modernise and expand its facilities. There will also be a 'trim' trail for residents, play areas for the young, links to existing cycle paths and footpaths and enhanced walkways along the Grand Union Canal's towpath, which crosses part of the site.

The new high-quality development at Mickle Well Park will go a long way towards helping solve Daventry's housing shortage and will create more than 380 new local jobs during the construction phase of the project.

Work is now underway and the new homes – ranging from two to five bedroom apartments and houses - will provide a variety of tenures, including a quarter (112) for affordable housing and shared ownership. There will also be 24 serviced plots set aside for individuals who will have the option to have self-build or custom-built homes.

Strategic Asset Management

We have a robust strategic asset management plan and invest heavily in the property we own, to ensure it meets our own high maintenance standards. In the last 12 months we have invested £40 million to improve and upgrade our existing stock, including fitting new boilers, general external property maintenance, upgrading kitchens and bathrooms and refurbishing interior décor.

Over the next five years we plan to invest £40 million over what we already have scheduled into our existing property maintenance scheme to ensure our properties meet regulation standards as well as Orbit's own high quality standards.

Orbit is proud to offer a range of tenures on its sites, which cater for customers at all stages of their life journey.


First time buyers at Moorland Glade, Rugby

Peter's Village development, Kent

Independent Living, at St Bede's, Bedford

Case Study

Lillington Free Church

As part of a development to build much-needed, affordable housing in Lillington, near Leamington Spa, we – along with our contractors, Deeley Construction – built a brand new church within the community.

Lillington Free Church, which was originally built in 1966, was demolished along with the nearby church hall, to make way for housing and a new church building.

The result was a brand new, purpose built church which benefited the local neighbourhood as well as the congregation. It featured a kitchen, accessible toilets and meeting rooms all under one roof, to provide one location for a variety of groups.

Various groups, ranging from keep fit, parent and baby, Tai Kwando, Brownies, Rainbows and a table tennis group, now regularly use the facilities.

Minister of Lillington Free Church, Reverend James Church, said: “The success of this development is down to the great partnership working with Orbit and its contractors, Deeley Construction.

“We were involved from the initial planning stages to ensure that what we have created is exactly what the local community needs and wants.”

The development comprises 25 shared ownership homes – six apartments, 12 two-bedroom houses and seven three-bedroom houses.

Lillington Free Church and Community Centre, Leamington Spa

Our People

Employer of Choice

We are proud to be included in the Sunday Times 100 Best Companies to Work For, Not for Profit listing. This reflects Orbit as an employer of choice and as a values-based business with a strong performance culture. To have achieved this in the very first year of applying is a tremendous accolade and one which we are keen to retain.

The depth and breadth of our employee base is the cornerstone of our success and we are continually providing our employees with the opportunity to drive their professional careers further. In the last 12 months, we have supported over 69 people through the Leadership Programmes we have in place to identify and progress the next tier of leaders in our organisation.

We are passionate about giving everyone an equal opportunity to unlock their full potential and succeed and this means equality across all areas. We know that a diverse workforce strengthens our business and benefits both our customers and our colleagues.

In our Gender Pay Report 2017-18, we introduced an eight-point action plan to help close the pay gap between male and female colleagues to drive greater equality in our workplace. This includes increasing maternity benefits, offering wider training opportunities for female employees and supporting a more agile way of working.

Values

We are a values-based business and we are clear that our purpose as an employer is to improve the lives of our customers and their communities.

Our Building Thriving Communities Awards offer the opportunity to mark the positive the impact our customers are making in our communities. Celebrating these achievements are a great way of highlighting the great work that goes on right across all of the neighbourhoods where we work..

Through our employee volunteering programme, Orbit donates one working day a year to worthy causes, enabling our people to spend time supporting organisations which are close to their hearts.

Employee Ambassadors help to shape our culture and represent all parts of the business to ensure there is a joined up approach to employee engagement activities.

Our agile working culture ensures that a better work life balance is achieved for our employees and enables us to attract the best people. We also continue to invest in the design of our office areas, so that our business space is more welcoming and pleasurable to work in.

Our quarterly Achieving Together briefings provide focused and regular updates about our performance and priorities, so that everyone is clear what the business objectives are moving forward. This provides a great opportunity to share information and for employees to ask questions and to enjoy our successes.

Through our Stars in Orbit programme, employees can nominate those colleagues who have made a significant impact to the business with the winners invited to lunch with the Group Chief Executive and other members of the Executive team, to thank them for the work and to recognise their achievements.

Sunday Times Top 100
Best Companies Awards evening

Case Study

Graduates and Apprentices

We recognise that it takes many skills and professions to come together to build thriving communities and we offer a diverse range of career paths to match.

Dedicated Graduate and Apprentice programmes are just two schemes which ensure that we attract the very best talent to help drive our future success.

Orbit's graduate scheme is a fantastic opportunity to gain a well-rounded insight into the world of social housing, while being developed to become technically competent in a chosen field. We want our graduates to challenge the way things are done, bring new ideas to the table and become our future leaders.

Graduates experience what it is like to work in a number of departments across the organisation, from housing, sales, finance and asset management. They receive development opportunities including coaching and mentoring and also take part in cross-functional group projects to help drive innovation.

Apprentices are recruited every year to work across the organisation and the programme is open to anyone aged 16 and over, including school and college leavers or people who wish to start a new career.

Our two-year Apprenticeship programme offers both on and off-the-job training to develop the skills and qualifications required to launch a career in housing.

Our two-year Apprenticeship programme provides on and off-the-job training

Profit

Statement of comprehensive income	2018-19 £m	2017-18 £m
Turnover	316	357
Operating costs and cost of sale	(230)	(266)
Surplus on sale of housing	30	25
Operating surplus	116	116
Operating margin %	36.8%	32.5%
Surplus for the year	41	85

Turnover was lower year on year primarily due to late build completions from contractors. Turnover from shared ownership sales was £38 million lower at £35 million (2018: £73 million) and market sales lower by £12 million at £44 million (2018: £56 million).

Our core social lettings business continues to grow with social housing turnover of £218 million (2018 £210 million). This reflects the increase in social housing properties more than making up for the 1% rent reduction required by legislation.

Profits from property disposals rose by £5 million to £30 million (2018: £25 million) as we continue to review our housing stock and dispose of older, uneconomical properties.

Operating surplus remained steady year on year at £116 million. Our operating costs did not increase at the same rate as our increase in income with savings in management costs resulting from our Shaping our Future transformation programme.
We achieved an operating margin of 36.8% (2018: 32.5%) which was 4.3% higher than last year due to the higher proportion of profit arising from our core social lettings business compared to last year. Core social lettings returned a margin of 39.5% (2018: 37.8%).

Surplus for the year was £41 million (2018: £85 million). The restructure of the Group's debt portfolio following the capital markets issue resulted in exceptional loan break costs of £27.6 million. Excluding break costs, profit after tax was £69 million (2018: £85 million). Profit in the prior year benefitted from income from fair value gains relating to financial instruments and investment property of £9 million. Interest payable increased by £8 million year on year, due to lower rates of capitalisation against properties under construction and higher borrowings.

Statement of financial position	2018-19 £m	2017-18 £m
Fixed assets	2,524	2,394
Properties for sale and stock	176	116
Creditors due after >1 year	2,175	1,957
Revenue reserves	601	573

Tangible fixed assets rose by £130 million with an increase of 1,053 properties to 43,470 properties at year end (2018: 42,417). We have continued to invest in building new market and affordable properties for sale with an increase of £60 million to £176 million (2018: £116 million) in the value of properties for sale and stock.

Creditors due after more than one year rose by £218 million to £2,175 million (2018: £1,957 million). The new bond finance was used to restructure some of our existing building society loans resulting in a decrease in £203 million in bank/ building society loans and a corresponding increase in bond finance of £450 million.

Newlands, Attleborough

Independent Living, at St Bede's, Bedford

Risk & Compliance

Orbit has a robust Governance framework in place.

Our risk and compliance ensures we can manage all business risks and that we comply with key legislation. We continue to stress test the frameworks we have in place including the potential impact on our business caused by external policies and challenges.

We have been awarded the UK's highest fire safety certification – PAS 7. This is a formal fire risk management system that goes above and beyond standard practices in fire safety management and fully supports our commitment to customer safety.

We are one of the first housing associations in the country to be granted two RoSPA (Royal Society for the Prevention of Accidents) awards for our commitment to raising the standards of customer safety and overall health and safety.

These prestigious awards are particularly significant as they demonstrate that the investment we've made in recent years in property compliance has been publicly recognised by the leading body that manages health and safety in the UK.

Over the last 12 months, our senior leaders have all completed incident management training to test our procedure and to confirm that the processes we have in place are appropriate, thorough and are established throughout all levels of the business.

Our award-winning Health and Safety team continue to report 100% compliance in all areas.

2019 RoSPA Gold Award

We distributed over 3,500 Keeping Kids Safe packs to our customers with children aged five and under. Packs were also given out at Stratford Children's Centre

Corporate Social Responsibility

Responsible business

Commitment to our social purpose is central to our mission and vision and improving the communities where we work is at the forefront of everything we do. Operating responsibly is key to our ethos, as is ensuring our contractors and suppliers operate responsibly too.

Social impact

Whilst the realisation of our vision to build thriving communities is our primary focus, we firmly believe that we also have a duty to act responsibly towards the environment and the wider society in which we live.

We care about the world around us and we are constantly looking at ways to improve our social impact and to reduce our carbon footprint. We work with Government, focus groups, national charities and professional organisations to influence our work in this area.

Following the launch of our Happy, Healthy Starts campaign in 2017, we are continuing to implement changes to reduce child poverty in the areas we work. We are pleased to work in partnership with the Child Poverty Action Group (CPAG), Greggs, and a number of partner housing associations to continue to improve the lives of children and young people in our communities.

We are passionate about the wellbeing of our customers, employees and the wider community.

Through our Breathing Space programme, Orbit customers can access a free help and advice service 24 hours a day, online or by phone, which will then connect them to a specific support relevant to their individual needs. Set up with Mental Health Matters, Bexley MIND, Norwich Befriending, Support Northamptonshire and Sycamore Counselling (Nuneaton), over 280 customers accessed the service last year which addressed issues such as suicidal thoughts, self-harm, social isolation and debt.

We also offer a range of support to our employees such as counselling, access to healthcare, agile working and we host regular wellbeing weeks.

As an organisation we support MIND as our chosen charity and over the last year we have raised over £5,000. MIND has also supported us with wellbeing workshops held at a number of our offices.

Following the launch of our Happy, Healthy Starts campaign in 2017, we are continuing to implement changes to reduce child poverty in the areas we work.

Case Study

Happy, Healthy Starts

As part of our Happy, Healthy Starts campaign we work with Greggs Foundation and Stratford Uniform Bank to help make life easier for families in south Warwickshire.

Having a healthy breakfast boosts concentration and ultimately helps children to learn better. Yet some youngsters were disadvantaged at the start of the school day because they were either eating unhealthily or not at all.

We now offer free breakfasts to children at Lighthorne Heath Primary School in Leamington Spa and Stanton Bridge Primary School in Coventry in conjunction with Greggs Foundation to ensure that pupils get a healthy start to the day, at no cost to parents or carers.

Stratford Uniform Bank was founded when one local mum was shocked at the amount of money she needed to pay out for a compulsory school PE kit.

Following a post on Facebook about it, she was swamped with stories from other families in the same situation, so she put out a plea for donations. The response was phenomenal and donations came pouring in as people were encouraged to recycle uniform in the community to ease the cost of expensive uniform.

To support this, we have funded a storage container at Stratford High School, where the uniforms are collected and stored.

By working with Greggs Foundation we provide free, healthy breakfasts to pupils in Coventry and south Warwickshire

Volunteering

Our people have a wide range of skills, expertise and knowledge and are well placed to help their local communities. Through our employee volunteering programme, we are able to support this activity and every member of staff is encouraged to donate their skills either during their working day or in their personal time. They may sit on the board of a local charity or social enterprise, or they may help out as a volunteer.

Case Study

When the YMCA advertised for volunteers, Sophie Parkes, Orbit's Digital Marketing Manager, was keen to find out more. The charity needed support to digitally promote its housing services, the Big Sleep event and to raise its profile generally, and was seeking additional resources and expertise to do so. As well as writing a social media strategy for them, Sophie spent a day at their offices to offer digital training to volunteers. She also helped to set up their social media channels, create a content plan and draft instructions on how the charity could measure their online successes.

Sophie's time was donated through Orbit's Building Communities Days, which gives its employees the opportunity to donate up to eight hours of their time to a cause of their choice.

Sophie said: "It was extremely rewarding to be able to donate my skills to a charity that has limited resources and is offering some vital services which really align to Orbit's values.

"The feedback from the YMCA was very positive as they have been able to harness this activity and take it even further."
As a result of Sophie's time volunteering at the YMCA, she has since become a Trustee Board Member there.

Sophie Parkes used her digital skills to help a local charity boost its online presence

Environment

In 2018 we introduced Orbit Earth, an internal initiative to encourage our employees to take responsibility for their impact on the environment. Its vision is to inspire and invest in sustainable decisions across all areas of Orbit; to take achievable, but ambitious steps in reducing our carbon footprint and lead the way for others to do the same. In committing to the environment, we pledge to help improve the lives of our customers now and in the future.

Even small steps can make a big impact and that is why we are looking at all areas of the business to make positive changes. In addition, our employees have made a pledge to take individual responsibility towards improving the environment. From recycling bottles and re-using carrier bags to reducing screen monitor brightness and using technology to virtually attend meetings to save on fuel expenditure, all Orbit employees are helping to make a difference.

We will use our design knowledge to refurbish our offices to a higher eco-standard, ensuring they operate more efficiently and with less impact on the environment. This includes using solar panels, FSC-accredited and more recyclable materials.

Through Orbit Earth we will continue to make improvements within our organisation and across our supply chain. Our construction sites and contractors will also be required to adhere to our eco-vision.

Value for Money

Our Value for Money Strategy

Delivering value for money is integrated into Orbit's profit for a purpose ethos. Our Board leads our approach, through setting our corporate strategy and approving our financial plan. The financial planning process ensures that Orbit achieves a healthy balance between delivering customer satisfaction, maintaining high quality energy efficient homes, creating a new supply of housing and creating a great place for employees to work whilst ensuring the financial health of the organisation. To aid this process, our active membership of benchmarking groups facilitates the review and challenge of our financial plan in our relentless desire to deliver value for money.

Over the last two years, Orbit's focus on operational efficiency has been channelled through its business transformation programme Shaping Our Future. The programme, under the strategic direction of the Board, is on track to deliver £10 million of annualised savings through streamlining our processes and rationalising our offices, whilst targeting improved customer service through the creation of our Customer Hub.

Orbit's determination to consistently deliver on value for money also requires investment into the business to ensure longer term efficiency and effectiveness. Our Board has approved a significant investment in a new ERP platform, Project Apollo, with implementation over the next two years. Once fully implemented this will remove legacy and costly IT systems, improving processes and controls and will allow us to leverage our data to improve business decision making. It targets to deliver cost savings in excess of £5 million a year and further improve our level of service to our customers. Furthermore, to increase the effectiveness of our procurement process and lower our cost base, we are developing our own Orbit design standards. These new standards, together with our 'place-making' activity to acquire, design and develop our own sites, will allow efficient procurement of components within our new build programme and for ongoing maintenance programmes. The new Orbit design standards not only improve our efficiency, they focus on the needs of our customers and improving their living standards.

Our customer satisfaction has shown an improving trend over the last two years, increasing from 82.7% in 2017/18 to 86.1% in 2018/19. This has been driven by our focus on delivering excellent services resulting in high levels of satisfaction within our responsive repairs and capital delivery areas of the business.

Through a process of strategic asset management we are also continually seeking to improve the quality of our asset base, whether that is through asset sale, investment or reviewing asset swaps. Further details are given in the section on property on page 26.

Against a backdrop of welfare reform, rent reductions and continuing uncertainty as a result of the ongoing Brexit negotiations, Orbit's focus on value for money remains a vital factor in creating the financial capacity to support the development of 12,000 homes by 2020 and 2,000 homes per annum beyond this. The creation of new housing supply is integral to our plans, and is aligned with our core social purpose to supply homes for those people who would not otherwise be able to afford them. The majority of our development activity will be targeted at delivering homes that can be rented at significantly below market levels. We take a commercial approach to project selection and management to ensure they are delivered to a high standard and at the best possible value. We are also looking to innovate in both the way our homes are constructed, such as modular housing, and in the technology incorporated into them, to minimise both the costs of developing new homes and their future maintenance.

Orbit's investment into our people and offices has been rewarded with our inclusion in the The Sunday Times 100 Best Companies to Work For, Not for Profit listing in 2019 at number 77. We are truly proud of this achievement. The investment in our offices has allowed us to rationalise our property portfolio and reduce our cost base.

An employee wellbeing event

Value for Money highlights

Orbit has set itself a number of strategic goals to achieve by 2020 which have been used to drive changes to the way we work, providing high quality homes and delivering excellent services for our customers. The strategic targets include improving customer satisfaction to 90%, ensuring all our homes are safe and warm, providing a full range of home rental and ownership options, ensuring 75% of customer contacts take place online, £30m of investment is made into sustainable communities and that we deliver 12,000 new homes. These targets ensure that we review all aspects of the value chain (economy, efficiency and effectiveness) and continue in our drive to deliver value for money. Progress against these targets, together with other strategic measures, are summarised below:

Economy

Total people helped since project began 647 and a further 9,625 customers supported with employability and training

Employment Help Delivered

Actual 2018	Actual 2019	Target 2020
378	269	195

Efficiency

On track to deliver £10 m annualised savings from Shaping our Future programme

Transactions on line

Actual 2018	Actual 2019	Target 2020
51%	61%	75%

Effectiveness

Sunday Times Top 100 Best Companies to Work For not for profit listing– target to improve current ranking of 77 to top 50

Customer Satisfaction

Actual 2018	Actual 2019	Target 2020
82.7%	86.1%	89%

Strategic target to achieve 90% customer satisfaction by December 2020

Community Investment

Actual 2018	Actual 2019	Target 2020
£3.8m	£4.7m	£5m

Strategic target to invest £30m by December 2020

All Homes EPC band C or higher

Actual 2018	Actual 2019	Target 2020
71.8%	75.7%	78%

All properties Band C or above by December 2030

Measuring Value for Money

We track our performance using financial, operational and strategic metrics as well as specific value for money metrics. These are monitored in line with the Value for Money Standard 2018 as set out by The Regulator of Social Housing.

The following scorecard shows our performance against prior year metrics and against the prior year median metrics for housing associations with over 30,000 units.

Orbit is proud of its commitment and dedication to building homes and investing in its existing properties. These activities are at the heart of both our current and future strategy. However, as a consequence, we do not show as ‘green’ against metrics such as operating margin, gearing, ROCE, EBITDA and unit costs when compared to our peers. We firmly believe that our strategy is the right one for us and for our customers. Whilst we will always seek to deliver improved value for money year on year we will not expect these scores to change significantly due to the nature of our core strategy.

Metric	Value Chain Impact	2019	2018	Peer group
Operating Margin (Overall)	Efficiency	27.3%	25.4%	29.7%
The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business.				
Operating Margin (Social Housing Lettings)	Efficiency	39.5%	37.8%	36.8%
Demonstrates the profitability of operating assets before exceptional expenses are taken into account.				
EBITDA MRI Interest Rate Cover	Efficiency	99.5%	184.0%	227.0%
Key indicator for liquidity and investment capacity. Measures the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.				

Operating margins, whilst a good indicator of profitability, should be viewed taking into account all activities that Orbit undertakes to deliver against our strategy of building communities.

Orbit is committed to developing more new housing stock in order to increase supply and to help fund our social purpose. As operating margins on sales of houses are lower than for social housing letting, our overall operating margin is supressed and runs at a lower rate than that of our peers. In part, the increase in overall margin has been delivered through a change in the sales mix this year, with a higher proportion of social lettings compared to market sale activity. Next year’s target is lower than the current year due to the anticipated increase in sale activity. Whilst Orbit will continue to focus on improving its operating efficiency, for that reason it is likely to continue to operate at a lower margin than that of our peers.

As noted above, whilst the overall operating margin is lower, our social housing lettings margin is showing both a year on year improvement and a strong performance against our peer group. This reflects Orbit’s continual drive for value for money, and the savings delivered through our Shaping Our Future Programme.

EBITDA MRI is in part lower due to £27.6 million of break costs that are included in the interest charge in the current year. Consequently the ratio is driven by a higher interest cost than would be expected, rather than significant operational underperformance. In addition the EBITDA is lower than that of our peer group due to the higher volume of lower margin house sales that Orbit builds. Developing homes for both market sale and social letting also requires a significant amount of investment, which again increases the level of debt and therefore interest charge.

Orbit will continue to drive efficiencies and has a number of initiatives to lower costs through improved procurement activity, development of a new shared service centre (‘The Customer Hub’) and moving to a stock condition based repair strategy. Whilst these initiatives will improve efficiencies, Orbit remains committed to delivering new housing stock and improving the homes of current customers. This will continue to put pressure on both the overall operating margin and EBITDA and significant improvements in these metrics are unlikely. Orbit will continue to measure the efficiency of its operations through close monitoring of the Social Housing Lettings operating margin.

Development

Metric	Value Chain Impact	2019	2018	Peer group
New Supply (Social)	Effectiveness	2.5%	4.9%	0.8%
Number of new housing units acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end.				
New Supply (Non-Social)	Effectiveness	0.5%	0.7%	0.05%
Number of new non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end.				
Gearing	Efficiency	51.4%	48.4%	42.4%
This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.				

Orbit's commitment to respond positively to the UK's housing crisis ensures a strong performance against the new supply metrics compared with peers. 1,036 social or affordable properties were delivered during the year (2018: 1,899), whilst 188 new homes for sale were built (2018: 256). Our Board approved strategy sees plans for our development programme following a long term target and numbers can fluctuate year on year.

As a result, our gearing metric is higher than that of our peers, as we leverage the balance sheet in support of our development programme, with debt increasing due to recent bond finance activity offset by higher cash balances and increased investment in existing and new properties.

Asset Management & Operational Effectiveness

Metric	Value Chain Impact	2019	2018	Peer group
Reinvestment	Efficiency	8.3%	8.7%	4.8%
Investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held				
ROCE	Efficiency	4.2%	4.7%	4.4%
This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric would support registered providers with a wide range of capital investment programmes.				
Headline social housing unit cost	Economy	£3.912k	£3.764k	£3.270k
The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator				

As one of the largest builders of affordable housing in the UK, and with a commitment to maintain high quality assets for our existing customers, we achieve an exceptional performance on our reinvestment metric. Our investment programme in new and existing assets saw Orbit invest a total spend of £208 million (2018: £206 million). This commitment to reinvestment impacts return on capital employed, with our asset base increasing through a combination of fixed asset growth from new affordable properties, an increase in work in progress through properties being developed for sale, and increases in cash held, whilst operating profits in absolute terms have remained flat year on year.

The headline figure of social housing unit cost has increased year on year due to a significant increase in investment in our properties and service chargeable costs of £7 million each. These increases reflect the need and the desire to invest in our customers' homes. The overall level of efficiency has increased as a higher volume of improvements were delivered within the budget.

Reviewing global accounts data for 2018 suggests that our investment in 2019 to improve the quality of our properties, saw Orbit invest 6% (£11.5 million) more of our rental income, on average, in maintenance than our peers to improve the quality of living for our customers.

Green = Exceeded Peer Group (Median 30,000 units)
Amber = Below Peer Group (Median 30,000 units)
Red = In bottom quartile

The headline social housing cost per unit is reviewed in the following component parts.

Cost per unit (CPU)	2019 £000	2018 £000
Management cost per unit	0.521	0.700
Service charge cost per unit	0.675	0.494
Maintenance cost per unit	1.270	1.370
Major repairs cost per unit	0.836	0.595
Other social housing costs per unit	0.610	0.605

Management cost per unit has reduced by £6.5 million year on year reflecting the progress made through our Shaping Our Future programme as highlighted above, whilst service charge cost per unit has increased reflecting a higher level of required investment in our existing properties.

Maintenance cost per unit has fallen year on year, with improvements in our procurement strategy enabling an increased volume of work to be undertaken but at a reduced cost. In line with our corporate strategy we have significantly invested in major repair activity within our existing properties to improve the level of energy efficiency (75.7% are EPC band A-C) and the quality of the environment for our customers.

Headline social housing cost per unit, and operational efficiency will continue to be of importance for Orbit and improvements will be achieved through the measures outlined above.

Social Value

The creation of social value is core to Orbit's purpose, most evident through the provision of a variety of housing at sub market levels, helping to create high quality homes and thriving communities for those that otherwise would not be able to afford them. Our primary focus is on building and maintaining affordable housing. We have planned to invest £1.3 billion between 2018 and 2022.

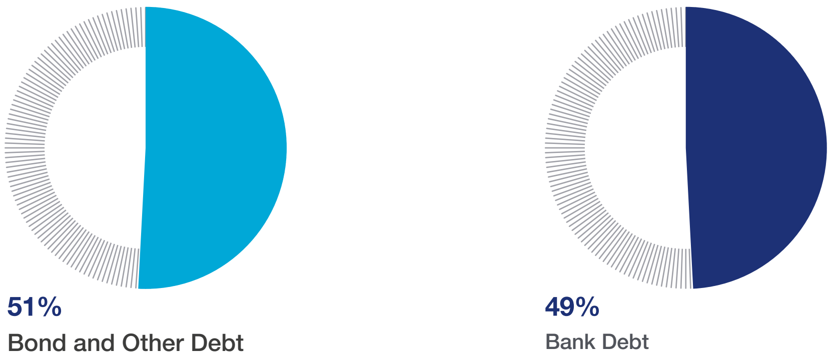
In addition, Orbit invested £4.7 million into our community investment programme, (£3.8 million in 2018) and as part of this programme has:

- Saved £163,350 in energy bills due to the advice given to 1,935 customers relating to both energy and financial awareness
- Produced over £264,000 of income for Orbit due to our partnerships with Love London Working, Accelerate and various other companies.
- Provided CV, employment and digital training for 1,565 of our customers with 77 receiving formal qualifications

Corporate Finance and Treasury

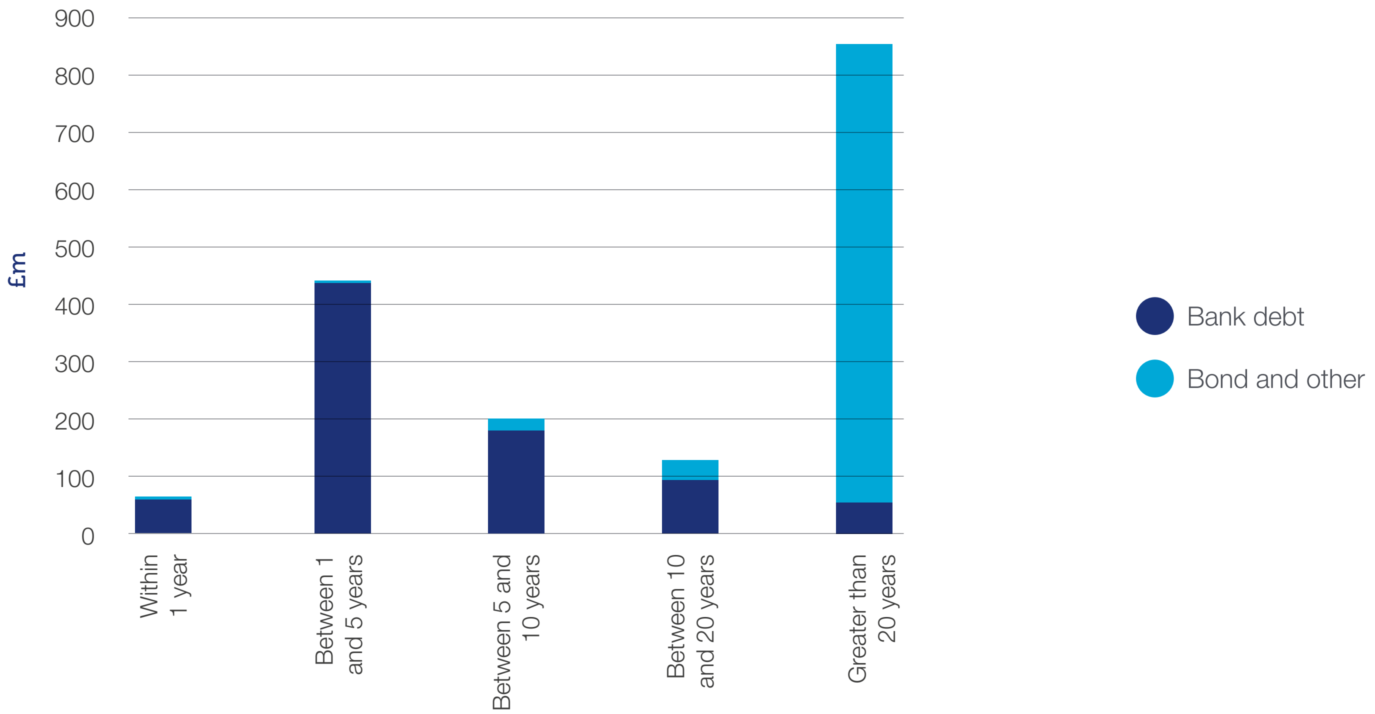
As at 31 March, the Group had £1,664 million of committed debt funding. Drawn funding totalled £1,437 million, an increase from 2018 (£1,206 million). The Group seeks to maintain diversification in its funding sources with 49% coming from 7 banks and building societies and 51% from capital markets.

Bank vs Other Debt



The group's re-financing risk in the next five years is £494 million, with over 70% of the Groups debt maturing after 5 years.

Debt repayment profile

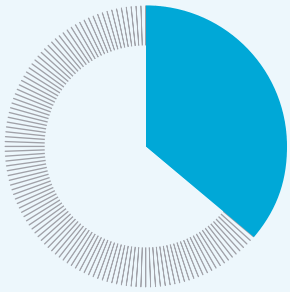


Chapel View development, Cotswolds

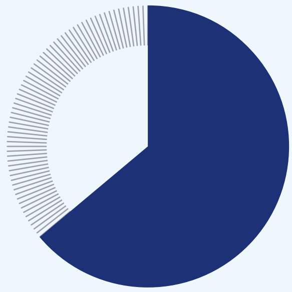
Available liquidity

As at 31 March, the Group maintained £227 million of committed undrawn facilities available for immediate drawing and £125.9 million of cash in hand, representing total available liquidity of £352.9 million.

These resources are considered sufficient to fund three years' worth of commitments.



£126 million
Cash



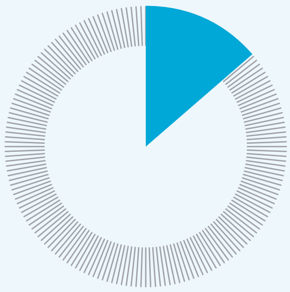
£227 million
Undrawn committed

Total committed funding

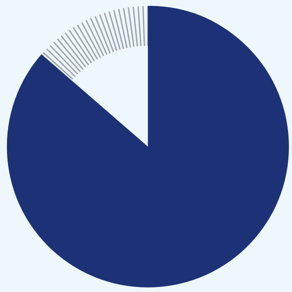
All committed facilities are secured by fixed charges.

At year end the Group held approximately 11,300 unencumbered properties available for use for new loans.

These properties are conservatively estimated to provide potential security for a further £916 million of new loans. This ability to raise new loans may enable us to develop a significant number of new homes in the future.



£227 million
Undrawn debt



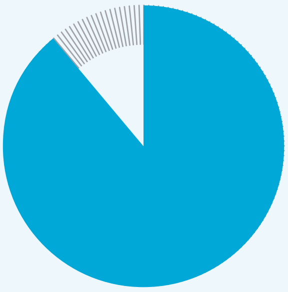
£1,437 million
Drawn debt

Interest rate management

The Group continues to be risk averse in its approach to interest rate management. Borrowing related to cash in hand is held at floating rates of interest. The Group targets a flexible policy of hedging 65% to 90% of its debt with predominantly fixed rate instruments and a small proportion of index linked instruments, with flexibility to depart from these parameters if circumstances make this appropriate

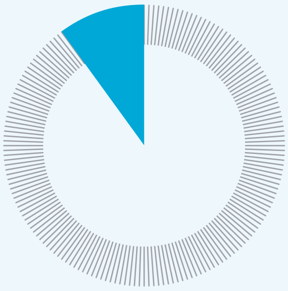
The Board regularly monitors interest rate risk and at the year-end this resulted in a portfolio that was 84% fixed.

The Group's average interest cost for the year is 4.02% reflecting the fixed rate hedging noted above. The Group does not have any non-sterling or exchange rate exposures.



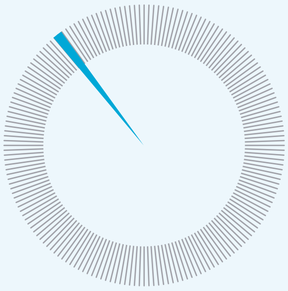
89%

Fixed loans, embedded and standalone



10%

Callable and/or cancellable



1%

RPI

The Group maintains a desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans and bonds) and stand-alone swaps (including fixed and index linked derivatives with bank counterparties). As at year end, 89% of the Group's hedged activities were undertaken through fixed loans/bonds, embedded instruments and standalone swaps.

The Group's weighted average duration of standalone swaps is just over 12 years. This limits the impact of an increase in interest rates.

All of the Group's swap transactions allow social housing assets to be used as collateral to cover mark to market positions.

The Group maintains a formal counterparty policy in respect of those organisations from which it will borrow or with which it will enter into other finance arrangements and derivative transactions. Similarly, on investments, the Group regards the primary objective of its treasury management activity to be the security of the principal sums invested.

The Group's treasury strategy is reviewed and approved at least annually, to ensure it underpins the budget and longer term financial plan. Detailed cash flow forecasts, key ratios and limits are all monitored regularly by either the Executive Team and/or Orbit Treasury Limited Board.

Cash Flows

The Group net cash inflow from operating activities during the year was £65.7 million (2018: £117.3 million). The principal sources of cash inflow remain rental income and proceeds from sale of housing properties. The principal sources of cash outflow for Orbit were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

Business overview

The Group structure is illustrated below; Orbit Group Limited is the parent organisation of the Group. Orbit Customer and Communities is our housing management business comprising Orbit Heart of England (Heart of England Housing Association Limited) and Orbit East and South (Orbit South Housing Association Limited). Orbit Homes (2020) Limited is our development and sales organisation, building new homes. Orbit Treasury Limited is our main funding vehicle, whilst Orbit Capital plc was set up to issue bonds. Other entities in the Group structure (not shown below) are two non-trading companies, Orbit New Homes Limited and Orbit Gateway Limited.

Orbit Group Ltd

- The parent company of the Orbit Group
- Registered Provider
- 6,178 units, the majority of which are shared ownership

Orbit Homes

- Provides design and build services, homes for market sale and rent, to Orbit Group Limited and its subsidiaries
- Incorporated 20 August 2009

Orbit South

- Registered Provider
- 19,321 units
- Owns and manages properties in the south, east and East Anglia
- Incorporated 10 June 1993

Heart of England

- Registered Provider
- 17,971 units
- Owns and manages properties throughout the midlands
- Incorporated 1 April 2008

Orbit Capital

- Issues asset backed securities
- Issuing entity of existing £250 million 3.500% due 2045 and £450 million 3.325% due 2048
- Incorporated 22 January 2015

Orbit Treasury

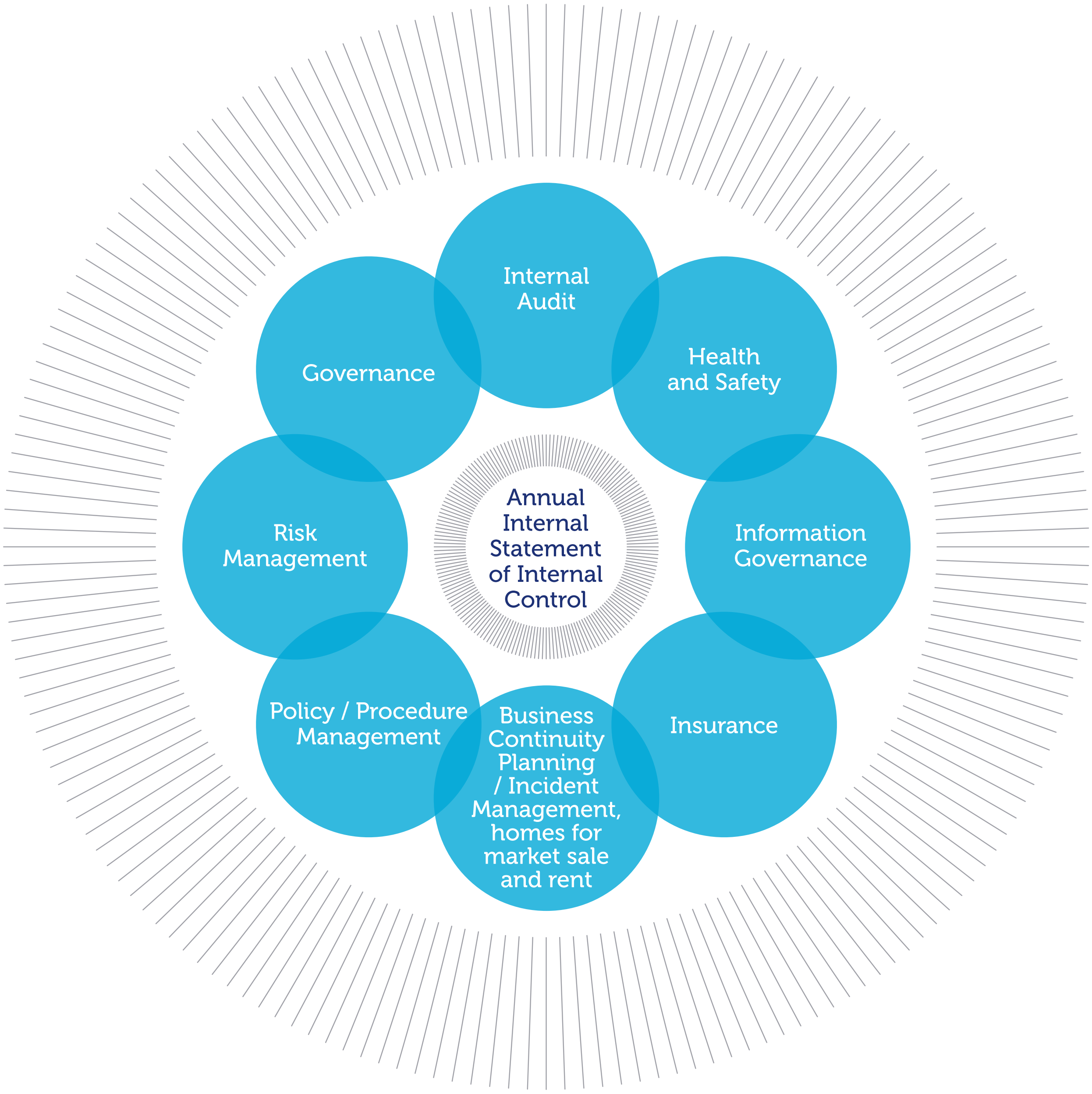
- Provides cost-effective treasury management to operating associations
- Incorporated 31 May 2007

Risk management

The Group Board maintains overall responsibility for strategic risk management. There are systems in place to ensure the Board and the Executive Team can analyse, understand, manage and mitigate strategic and business critical risks.

Our overall approach to risk management is based on good practice and our internal control environment is continually reviewed and monitored by the Audit and Risk Assurance Committee on behalf of the Board. All subsidiaries are required to implement our risk management framework and provide reports to their respective Boards.

Risk Management is a fundamental element of our Internal Control Environment and Assurance Strategy, which feeds into our annual statement of internal controls.



Our approach to risk management encompasses all areas of our business and is underpinned by six key elements.

1) Clear understanding of our risk environment, incorporating internal and external factors.
2) Robust approach to identifying and monitoring key risks.
3) Putting in place early warning measures and risk triggers so that we can act before a risk materialises.
4) Close monitoring of our Strategic Business Critical Risks
5) Regular stress testing of our financial plan in line with the appetite set by the Board.
6) Clearly defined appetite for risk approved by the Board.

Risk analysis

Senior Management Team with each subsidiary / division review their key risks three times each year; the outcomes of which are reported to their respective Boards. These risks are consolidated into business critical risks (BCR) which are reported to the Executive Team and Audit and Risk Assurance Committee (ARAC) three times a year and twice yearly to the Group Board.

We have identified 7 Business Critical Risks to the business, all of which are being effectively managed.

These are:

Business Critical Risks	Key mitigation strategies
1) Material change impacting upon the key assumptions within the Financial Plan including: • Reliance on market sales. • Pension liability exposure underpinned by lack of control over the deficit. • H2B rebid and the potential loss of profits. **A softening of the housing market is impacting upon property sales.**	• Stress testing, scenario analysis, management action plans and EWI's • 'Risk and Opportunities' schedule offsetting any material impacts upon our financials. • Robust budget management processes underpinning by continuous budgeting. • Brexit impact analysis completed. • Reviewing our membership of SHPS with Orbit Group Board, Governance and Remuneration Committee, an Orbit SHPS sub group and support from PwC. A proposal to exit was approved by Group Board in March 2019 subject to a cap on exit costs. • Strategy in place for Help 2 Buy rebid commencing October 2019.
2) Poor delivery of service leading to low customer satisfaction, cost inefficiencies and regulatory intervention. **The impact of Universal Credit, implementation of the Customer Hub and transformation in Independent Living.**	• Welfare Reform Strategy. • Responsive and property investment plan. • Tenancy Sustainability Model. • Property Management Model. • Implementation of the Property Compliance System. • Arrears management review. • Shared Services model. • Independent Living restructuring completed • Incident Management Plan (IMP) • Business Continuity Plan for Stratford, Norwich and Maidstone. • Brexit impact analysis completed.
3) Condition of existing stock in a poor state leading to a material impact on the financials and growth aspiration.	• H&S Strategy underpinned by robust management system. • Dedicated Compliance Team within Property Services. • External H&S expertise within the construction business for market sale and affordable. • KPI review at Executive and Board levels.
4) Negligence / poor working practices leading to an unsafe working environment.	• H&S Strategy underpinned by robust management system. • Dedicated Compliance Team within Property Services. • External H&S expertise within the construction business for market sale and affordable. • KPI review at Executive and board levels.
5) Unable to respond to a cyber-attack in an effective manner. **Continuing external threat we face.**	• Disaster Recovery Plan and third party support. • ISO 27001 accreditation. • Specific cyber security insurance in place. • Commission an external review of Cyber security arrangements as part of 2019/20 audit plan.
6) Poor quality of data leading to a failure in governance in terms of performance monitoring and decision making. **We are developing a defined Data Strategy, implementing a Data Warehouse and the greater risks introduced by GDPR and privacy.**	• None to date. These will be developed once the Data Strategy work stream commences.
7) The delivery of the Apollo project does not achieve the agreed outcomes and impacts adversely on key business as usual activities during the implementation stage.	• Agreed governance, risk and reporting structure in place to deliver the project. This includes an oversight from operational and strategic view, including Leadership Team, Executive Team and the Board. • Audit and Risk Assurance Committee will oversee the risk management of this project on behalf of the Board. • External assurance partner appointed.

Likelihood

Impact	Unlikely	Possible	Likely	Almost certain
Catastrophic				
Major	4	2,5,6		
Moderate	3,7	1		
Minor				

Stress testing

We have developed a workbook outlining four stress scenarios, each one identifying the impact on our business and the recovery plans in place to manage these. These scenarios are:

1) A new credit crunch
2) Brexit – 'perfect storm'
3) Political pressures
4) A new credit crunch plus a significant lending bank recalling a loan

The scenarios are approved by the Audit and Risk Assurance Committee and used to stress test the financial plan.

Risk appetite

At the centre of the risk management framework is our defined appetite for risk, which sets clear parameters within which to deliver our business objectives.

Governance

Name	Appointed
The Rt Hon. Baroness Tessa Blackstone Chair	1 February 2013
Professor Tony Crook CBE FAcSS FRTPI Deputy Chair	1 October 2010 (retired 30 September 2018)
Fran Beckett OBE FRSA	1 April 2011 (retired 31 March 2019)
Steve Brown FCA	1 February 2013
Chris Crook BSc Hons FRICS	6 December 2011
Helen Gillett	1 February 2019
Andy Hobart	14 September 2016 (resigned 9 September 2018)
Stephen Howlett CBE DL, FRIBA, FRSA	1 November 2018
Mark Hoyland MRICS	26 May 2018
David Weaver MBA	14 September 2016
David Young CBE, DBA	10 July 2013
Stephen Stone	1 April 2019

The Board can comprise up to twelve members but currently has nine and is responsible for governing the affairs of Orbit Group Limited and Orbit as a whole. Board members are drawn from a wide background bringing together professional, commercial and public sector experience. The primary role of the Board is to focus on strategic direction, growth and risk. The Board meets formally at least five times a year for regular business and at other times to discuss strategic issues.

All members of the Group remunerate their board members for undertaking their duties and responsibilities. The boards delegate the day-to-day management to the Group Chief Executive and the Executive Directors who form the Executive team. The Executive team members are listed on page 18 and 19. The Executive team met at least monthly throughout 2018/19 and the directors attend meetings of the Group Board and subsidiary boards.

Code of governance

We have adopted the National Housing Federation's (NHF) 2015 Code of Governance as the Code of Governance for our Registered Providers. Whilst our non-charitable subsidiaries are not required to comply with the Code, they undertake to adhere to the spirit of the Code. We comply with the Code of Governance in all material aspects and with the Regulator of Social Housing's Governance and Financial Viability Standard. We have developed our own probity and severance policy, which picks up the key principles of the NHF's Code of Conduct. In addition to this policy, we have our own code of conduct for board members.

Governance and Viability Standard

Orbit complies with the Governance and Viability Standard of the Regulator of Social Housing (RSH). Our governance rating is GI and our financial viability rating is V2.

General Data Protection Regulation (GDPR)

We have invested in ensuring that Orbit is working towards compliance with the GDPR. This is underpinned by a clear strategy and robust action plan, the performance against which is monitored by senior management.

Shareholding policy

Under the Association's rules, the Group Board retains discretion over the issue of shares in the Association and current policy is we will operate a closed membership, with shares only issued to individuals who are board members. This policy will be kept under review.

Committees of the Board

The Group Board is supported by two committees with specific responsibilities.

Governance and Remuneration Committee – responsible for developing and maintaining our governance framework. This includes arrangements for the recruitment, induction, appraisal and development of board members, the review of the roles and responsibilities of board members and structure and policies of board member remuneration. The Committee also considers our policy on remuneration, contracts of employment and conditions of service generally for executive directors and recommends to Group Board the specific remuneration packages for each of the directors, including pension rights and any compensation/severance payments.

Audit and Risk Assurance Committee - considers the operations of internal audit and the appointment of external auditors, the scope of their work and their reports. The Committee monitors the implementation of our risk management strategy and internal audit plans. It reports to the Group Board on the effectiveness of the internal control arrangements and considers the financial statements before they are presented to Group Board for approval.

Customer involvement

We are committed to involving customers in decisions affecting their homes. Customers are represented on the Customer and Communities Board and a range of involvement opportunities for Customers to scrutinise, hold us to account for our performance and have input into shaping service delivery have been developed as part of the co-regulation agenda. This ensures we meet regulatory requirements and good practice in terms of governance and customer involvement.

Regular customer experience surveys (Real Time Feedback) are undertaken, with feedback being used to drive service improvements. In addition, our complaints and compliments procedure is used to capture customer feedback more effectively and apply the learning.

The key focus of the approach to involvement is making involvement activities easier to take part in, encouraging a wider range of customers to take part, making sure involvement leads to better services and improving value for money. The annual report to customers summarises performance against the key regulatory standards.

Subsequent events

There are no subsequent events to report.

Going concern

After making enquiries, the Group Board has a reasonable expectation the Group and Association have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in the financial statements.

On behalf of the Orbit Board

The Rt Hon. Baroness Blackstone
Chair

22 July 2019

Statement of internal control for Orbit Group

Purpose

The statement of internal control provides an opinion to internal and external stakeholders on how effectively Orbit governs its business so as to manage the key risks to the successful delivery of its business and financial plan.

Sources of assurance

A key element of providing this opinion is based upon Orbit's internal control environment (ICE) framework, which pulls together assurance from a number of sources on a quarterly basis, which feed into the annual statement of internal controls. Orbit's standard assurance providers include the following:

- ✓ Internal audit including externally commissioned reviews
- ✓ Health and safety management system
- ✓ Insurance performance
- ✓ Business Continuity Planning and Incident Management System
- ✓ Policy / Procedure Management
- ✓ Information governance and management of personal data
- ✓ Risk management strategy
- ✓ Governance

Outcomes

Based on the risk and assurance work undertaken in 2018-19, the overall opinion is that Orbit's internal control (financial and non-financial) environment, supported by risk management and governance arrangements, is operating with **sufficient effectiveness** to provide reasonable assurance to the Audit and Risk Assurance Committee and Group Board

During 2018-19 the outcomes from key areas of assurance have been positive and management continues to recognise that continuous improvement is fundamental, particularly as the operating environment for the sector evolves. It is important to note that:

1. The outcomes from internal audit reviews have provided an insight into robust control and compliance culture. The significant majority of reports provide a positive opinion and where weaknesses are identified they have either been addressed or management is in the process of addressing these.
2. External audit opinion is unqualified.
3. Our risk management strategy continues to provide insight into Orbit's eight business critical risks. Stress mitigations have been tested and are effective if key scenarios materialise.
4. The annual health and safety report confirmed that there is a robust Health and Safety management system and there is continuous focus on bedding in a strong culture by management. This has been confirmed by an audit undertaken by the Royal Society of Prevention of Accidents (RoSPA).
5. Insurance risks continue to be managed effectively with increase in premiums for 2018-19 due to organic growth of the business.
6. Orbit's governance arrangements continue to be robust, confirmed by maintaining our G1 and V2 regulatory rating.
7. There has been effective implementation of the new Data Protection laws (GDPR), supported by effective management of personal data, with weaknesses addressed promptly and no enforcement action.

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

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

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Annual general meeting

The annual general meeting will be held on 25 September 2019.

Disclosure of information to auditors

The Directors who held office at the date of approval of this statement confirm, so far as they are each aware, there is no relevant audit information of which our independent auditors are unaware; and each Director has taken all the steps they ought to have taken as a director to make them aware of any relevant audit information and to establish that our independent auditors are aware of that information.

Independent auditors

KPMG LLP was appointed as the external auditors for the year ended 31 March 2019. A resolution to re-appoint the Group's auditors for external audit services will be proposed at the annual general meeting.

The report of the Board was approved on 22 July 2019 and signed on its behalf by:

Richard Wright
Secretary

Independent auditor's report to Orbit Group Limited

Opinion

We have audited the financial statements of Orbit Group Limited ("the association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2019 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Brexit other matter paragraph

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group business model, including the impact of Brexit, and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises Orbit in Numbers, Five Year Summary of Financial Highlights, Board, Executive and Advisors, Group Chair's Introduction, Group Chief Executive's Statement, the Strategic Report and Operating and Financial Review, Governance (including the Statement of Internal Control) and Report of the Board. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respect.

Board's responsibilities

As more fully explained in their statement set out on page 63, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

26 July 2019

Statement of Comprehensive Income
For the year ended 31 March 2019

		Group		Association	
	Note	2019 £m	2018 £m	2019 £m	2018 £m
Turnover	2	**316.4**	357.4	**83.0**	111.9
Cost of sales	2	**(70.5)**	(101.7)	**(32.2)**	(51.3)
Operating costs	2	**(159.4)**	(164.9)	**(34.1)**	(36.4)
Surplus on sale of housing properties	7	**29.9**	24.9	**5.0**	5.7
Operating surplus	2&5	**116.4**	115.7	**21.7**	29.9
Profit /(Loss) on sale of fixed assets	5	**0.1**	(0.9)	**(0.4)**	-
Income from shares in group undertakings		**-**	-	**1.7**	1.7
Interest receivable	8	**4.5**	0.9	**2.5**	1.4
Interest payable	9	**(46.9)**	(39.3)	**(14.0)**	(3.4)
Loan break costs		**(27.6)**	-	**(0.6)**	-
Other financing costs	9	**(3.0)**	(0.4)	**(0.6)**	(0.3)
Movement in fair value of financial instruments		**(1.4)**	5.2	**-**	-
Movement in fair value of investment property	15	**-**	4.2	**-**	-
Donations received		**-**	-	**-**	23.3
Surplus before taxation		**42.1**	85.4	**10.3**	52.6
Taxation	10	**(1.0)**	-	**-**	-
Surplus for the year		**41.1**	85.4	**10.3**	52.6
Initial recognition of SHPS defined benefit scheme		**(7.3)**	-	**(7.3)**	-
Actuarial (loss)/gain in respect of pension schemes	37	**(6.1)**	0.9	**(6.7)**	0.3
Change in fair value of hedged financial instrument		**(5.5)**	10.9	**-**	-
Total comprehensive income		**22.2**	97.2	**(3.7)**	52.9

All amounts derive from continuing operations.

The accompanying notes form part of these financial statements.

The financial statements on pages 66 to 118 were approved by the Orbit Board and signed on its behalf by:

The Rt Hon. Baroness Blackstone
CHAIR

Steve Brown
BOARD MEMBER

Richard Wright
SECRETARY

22 July 2019

Statement of Changes in Reserves
For the year ended 31 March 2019

Group	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2017	**486.6**	-	**(65.9)**	**420.7**
Surplus for the year ended 31 March 2018	85.4	-	-	85.4
Actuarial loss in respect of pension schemes	0.9	-	-	0.9
Change in fair value of hedged financial instruments	-	-	10.9	10.9
Balance as at 31 March 2018	**572.9**	-	**(55.0)**	**517.9**
Surplus for the year	41.1	-	-	41.1
Initial recognition of SHPS defined benefit liability	(7.3)	-	-	(7.3)
Actuarial loss in respect of pension schemes	(6.1)	-	-	(6.1)
Change in fair value of hedged financial instruments	-	-	(5.5)	(5.5)
Balance as at 31 March 2019	**600.6**	-	**(60.5)**	**540.1**

Association	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2017	230.1	0.2	-	230.3
Surplus for the year ended 31 March 2018	52.6	-	-	52.6
Actuarial loss on pension liability	0.3	-	-	0.3
Balance as at 31 March 2018	283.0	0.2	-	283.2
Surplus for the year	10.3	-	-	10.3
Transfer from revaluation reserve	-	(0.2)	-	(0.2)
Initial recognition of SHPS defined benefit liability	(7.3)	-	-	(7.3)
Actuarial loss in respect of pension scheme	(6.7)	-	-	(6.7)
Balance as at 31 March 2019	**279.3**	**-**	**-**	**279.3**

Statement of Financial Position As at 31 March 2019

	Note	Group 2019 £m	Group 2018 £m	Association 2019 £m	Association 2018 £m
Fixed assets					
Tangible fixed assets	12&17	**2,523.8**	2,394.5	**339.9**	328.2
Investments – HomeBuy loans receivable	16	**11.9**	12.9	**11.9**	12.9
Fixed asset investments	13	**3.9**	2.6	**34.0**	34.0
Intangible assets	14	**4.9**	-	**4.9**	-
Investment properties	15	**15.0**	14.6	**-**	-
		2,559.5	2,424.6	**390.7**	375.1
Debtors: amounts falling due after more than one year	19	**2.2**	4.0	**64.6**	26.9
Current Assets					
Properties for sale and stock	18	**176.4**	115.8	**37.4**	30.9
Trade and other debtors	19	**25.4**	31.4	**73.6**	79.6
Cash and cash equivalents		**130.9**	49.6	**116.8**	41.0
		332.7	196.8	**227.8**	151.5
Creditors: amounts falling due within one year	20	**(145.5)**	(141.0)	**(137.1)**	(124.2)
Provisions falling due within one year	23	**(0.1)**	(2.8)	**-**	(1.3)
SHPS net pension liability due within one year	37	**-**	(2.8)	**-**	(2.8)
Net current assets		**187.1**	50.2	**90.7**	23.2
Total assets less current liabilities		**2,748.8**	2,478.8	**546.0**	425.2
Creditors: amounts falling due after more than one year					
Disposal Proceeds and Recycled Capital Grants Funds	24	**(11.3)**	(10.4)	**(5.4)**	(5.6)
Derivative liabilities	21	**(104.9)**	(100.7)	**-**	-
Other creditors	21	**(2,059.4)**	(1,830.7)	**(231.4)**	(121.0)
SHPS net pension liability	37	**-**	(15.4)	**-**	(15.4)
		(2,175.6)	(1,957.2)	**(236.8)**	(142.0)
Provisions for liabilities					
Net pension liability	37	**(32.4)**	(3.0)	**(29.9)**	-
Other provisions	23	**(0.7)**	(0.7)	**-**	-
Total net assets		**540.1**	517.9	**279.3**	283.2
Reserves					
Income and expenditure reserve		**600.6**	572.9	**279.3**	283.0
Revaluation reserve		**-**	-	**-**	0.2
Cash flow hedge reserve		**(60.5)**	(55.0)	**-**	-
Total reserves		**540.1**	517.9	**279.3**	283.2

The financial statements on pages 66 to 118 were approved by the Orbit Board and signed on its behalf by:

The Rt Hon. Baroness Blackstone
CHAIR

Steve Brown
BOARD MEMBER

Richard Wright
SECRETARY

22 July 2019

Statement of Cash Flows
For the year ended 31 March 2019

	Note	Group 2019 £m	Group 2018 £m
Net cash generated from operating activities	30	**65.7**	117.3
Cash flow from investing activities			
Purchase of tangible fixed assets		**(177.0)**	(168.5)
Purchase of Investment property		**-**	(3.7)
Proceeds from sale of tangible fixed assets		**43.8**	37.5
Grants received		**11.0**	15.8
Interest received		**4.5**	0.9
Mortgages redeemed		**0.2**	0.2
Investment		**(1.2)**	(0.3)
Cash flow from financing activities			
Interest paid		**(58.0)**	(50.6)
Loan break costs		**(27.6)**	
New secured loans		**803.2**	79.8
Repayment of borrowings		**(583.3)**	(9.8)
Net change in cash and cash equivalents		**81.3**	18.6
Cash and cash equivalents at beginning of the year	32	**49.6**	31.0
Cash and cash equivalents at end of the year	32	**130.9**	49.6

1. Principal accounting policies

Legal status

Orbit Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a not for profit Registered Provider of social housing as defined by the Housing and Regeneration Act 2008. Please refer to note 36 for information on the legal status of the other group undertakings.

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost basis of accounting, in accordance with the Housing SORP 2014, Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. As a public benefit entity Orbit Group Limited has applied all paragraphs of FRS 102 which relate to public benefit entities in preparing the financial statements.

Going concern

The Group's key activities are set out in the strategic report along with an assessment of the risks to the current operating environment. The Group is expected to have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Judgements and key sources of estimation uncertainty

In the process of applying the Group and Association's accounting policies management has made certain judgements that have a significant impact on the financial statements. These are detailed below.

Pension liabilities

In determining the valuation of the Group's pension schemes assets and liabilities a number of assumptions are made around factors that are uncertain. These include life expectancy, inflation rate, discount rates and salary and pension inflation rates. The Group is exposed to risk if the actuarial assumptions differ from actual experience and through volatility in the plan assets. More detail is disclosed in note 37.

Financial instrument valuation

Financial instruments are fair valued at each period end. Assumptions are made using market observable inputs and data.

Fixed asset and stock impairment

Fixed assets are reviewed twice annually and stock monthly for evidence of impairment. Impairment indicators are set out later in these policies.

Arrears

Judgement is made around the recoverability of debt and a provision is made based on the age and type of debt. Former arrears are provided in full. Current arrears are provided for based on age.

Basis of consolidation

The financial statements for Orbit Group Limited are the result of the consolidation of the financial statements of the Association and its subsidiaries during the year ended 31 March 2019. The subsidiaries consolidated are: Orbit South Housing Association Limited, Heart of England Housing Association Limited, Orbit Treasury Limited, Orbit New Homes Limited, Orbit Homes (2020) Limited, Orbit Gateway Limited and Orbit Capital plc. Uniform accounting policies have been adopted across the Group, and surpluses/deficits and balances on intra group transactions have been eliminated on consolidation.

Turnover

Turnover represents rental and service charge income receivable, grants from local authorities and Homes England, income from shared ownership first tranche sales, income from properties developed for sale, grant amortisation and other income, all of which arise in the UK.

Properties for sale

Properties developed for outright sale are included in turnover, cost of sales and operating costs. Properties developed for shared ownership sale are divided into first tranche sales and other sales. First tranche sales are included in turnover, cost of sales and operating costs. Subsequent tranches are not included in turnover and cost of sales, but are shown in surplus on sale of housing properties before operating surplus in the statement of comprehensive income. All other sales of fixed asset properties are shown in surplus on sale of housing properties.

Properties developed for outright sale and shared ownership first tranche proportions are included in current assets as they are intended to be sold. Shared ownership subsequent tranche proportions are included in fixed assets.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided net of Value Added Tax and customer discounts and incentives.

1. Principal accounting policies (continued)

Operating costs

Direct employee, administration and operating costs are apportioned to either the statement of comprehensive income or capital schemes on the basis of costs of staff or the extent to which they are directly engaged in the operations concerned.

Value Added Tax

Orbit Group Limited is party to a Group Registration for VAT. All amounts disclosed in the financial statements are inclusive of VAT with the exception of those relating to Orbit Homes (2020) Limited, which is separately registered for VAT outside the VAT group and Orbit New Homes Limited, which is no longer registered for VAT.

Liquid resources

Liquid resources comprise bank deposits that are readily convertible into cash and loans to fund the purchase of housing properties.

Housing properties

Housing properties are stated at cost, less accumulated depreciation and impairment provision. Depreciation is charged by component on a straight line basis over the following expected economic useful lives:

Housing property components	Depreciation life
Kitchens	20 years
Bathrooms	30 years
Windows and doors	30 years
Boilers	15 years
PV panels	25 years
Roof	30 - 60 years
External wall insulation	36 years
Rewiring	30 years
Structure (rehabilitated)	60 years
Structure (new stock)	100 years

Freehold land is not depreciated. Attributable overheads and profit are included in the cost of components.

The useful economic lives of all tangible fixed assets are reviewed annually.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

Housing properties are shown at cost less depreciation and impairment provision. Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting. When housing properties are to be transferred to another association, the net costs, after grant, are shown within current assets.

Shared 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 are included in turnover. The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Completed properties for outright sale and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and attributable overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Works to existing housing properties

Expenditure on housing properties which increases the net rental stream over the life of the property is capitalised. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property. All other costs are classified as maintenance and are charged to the statement of comprehensive income in the year in which the work is undertaken. No depreciation charge is made during the year in which a property comes into management, nor in the year of sale.

1. Principal accounting policies (continued)

Government and other grants

Social Housing Grant (SHG) is receivable from Homes England. This is recognised within income through the amortisation of the grant over the useful economic life of the asset as are any other grants received for the development of social housing. Grant is amortised even if there are no related depreciation charges.

For shared ownership (SO) stock this is the useful economic life of the asset (these assets are not accounted for by component as with rented stock). Therefore, the useful economic life will be the period over which the SO property will be available for use by the entity and hence is deemed to be the average time shared ownership properties are held before becoming fully stair-cased.

SHG due from Homes England or received in advance is included as a current asset or liability within the statement of financial position.

SHG can be recycled by the Association under certain circumstances such as if a property is sold, or if another relevant event takes place. In these cases, the SHG can be recycled for use on projects approved by Homes England and is held on the statement of financial position as a liability in the Recycled Capital Grant Fund. However, SHG may need to be repaid if certain conditions are not met, and in that event, is a subordinated unsecured repayable debt.

Capitalisation of interest and administration costs

Interest on loans financing non-market development is capitalised at the group's weighted average cost of capital (WACC). Administration costs relating to development activities are capitalised only to the extent they are incremental to the development process and directly attributable to bringing the property into its intended use.

Investment properties

Market rented properties are treated as investment properties. They are valued externally after construction / acquisition by a qualified RICS Chartered Surveyor. Changes in the value of market rented properties are taken to the statement of comprehensive income. Market rented properties under construction are stated at cost and all commitments are included as capital commitments.

Other tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost, less accumulated depreciation and capital grants.

Certain Orbit Group Limited offices were valued in February 1997 on the basis of their open market value for existing use. On adoption of Financial Reporting Standard 15 "tangible fixed assets", the Association has followed the transitional provisions to retain the book value of the offices which were revalued in 1997, but not to adopt a policy of revaluation in the future. This policy has been retained with the adoption of FRS 102.

Depreciation is provided to write off the cost on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Freehold offices and commercial premises	2% - 4%
Leasehold offices	Over the life of the lease
Motor vehicles	25%
Computer equipment	17% - 33%
Fixtures, fittings and other equipment	15%- 25%

Freehold land is not depreciated. The useful economic lives of all tangible fixed assets are reviewed annually.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is charged on a straight line basis of 4-10 years over the expected economic useful life of the asset.

Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes land, build costs, applicable overheads and interest. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate. Interest on borrowings incurred during the development period is capitalised.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

1. Principal accounting policies (continued)

Leased assets

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 payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the statement of comprehensive income using the annuity method. Rentals paid under operating leases are charged to the statement of comprehensive income as incurred.

Pension costs

Orbit Group Limited participates in the Social Housing Pension Scheme (SHPS), the full details are given in note 37 to the financial statements.

Orbit Group Limited also participates in a defined contribution SHPS pension scheme. The cost charged to the statement of comprehensive income represents the Group's contributions to that scheme in the financial year in which they fall due.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The disclosures in the financial statements follow the requirements of FRS 102.

Orbit South Housing Association Limited operates defined benefit funded pension schemes. The assets of the schemes are held separately from those of the association in independently administered funds. The requirements of FRS 102 are fully reflected in the financial statements and associated notes. Note 37 provides a summary of the pension valuation report, together with prior year statements which state last year's revenue and reserves. For funding purposes, surpluses or deficits are dealt with as advised by the actuary.

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of comprehensive income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Association's statement of financial position as a pension scheme liability. Changes in the defined benefit pension scheme liability arising from factors other than cash contribution by the association are charged to the statement of comprehensive income in accordance with applicable accounting standards.

For funding purposes, the actuary has accepted an undertaking from the Association that contributions to clear the deficit will be made over a period beyond the expected service lives of the remaining participating employees in line with other participating employees in the scheme.

Impairment

Reviews for impairment of housing properties are carried out on a twice yearly basis and any impairment in an income generating unit is recognised by a charge to the statement of comprehensive income. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use.

Impairment reviews are carried out in accordance with section 14.6 of the Statement of Recommended Practice (SORP), with consideration of the following potential indicators of impairment:

- Development issues
- Change in legislation or equivalent
- Average void time
- Proportion of properties vacant
- Loss made on property sales
- Schemes being redeveloped/demolished

Disposal proceeds fund

Voluntary purchase grant net of disposal proceeds is with effect from April 2017 no longer credited to this fund. The existing fund balance will appear as a creditor until such time as it is repaid or recycled.

Recycling of capital grant

Where Social Housing Grant (SHG) is recycled the SHG is credited to a fund that appears as a creditor and can be used to fund projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met and, in that event, is a subordinated unsecured repayable debt.

1. Principal accounting policies (continued)

Service charge sinking funds

Service charge sinking funds are dealt with as creditors.

Property managed by agents

Where an Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the statement of comprehensive income. Where the agency carries the majority of the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the risk carried by the Association. In both cases, where revenue grants are claimed by the Association, these are included in the statement of comprehensive income.

Taxation

The charge for the year is based on profits arising on activities that are liable to tax. Taxable members of the Group have adopted the accounting standard for deferred tax (FRS 102, section 29).

Deferred tax is provided in full, at the tax rates expected to apply to the period when the asset is realised or the liability is settled, on any timing differences, although deferred tax assets are only recognised to the extent that it is regarded as more likely than not they will be recovered. Timing differences arising from the revaluation of fixed assets are only recognised where there is a binding agreement to sell the revalued assets.

Deferred tax assets and liabilities are not discounted.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Loan classifications and subsequent valuations are the key areas of judgement applied in the financial statements. Fixed rate and variable loans have been classified as basic instruments. Fixed rate loans are stated at amortised cost using the effective interest rate method. Variable rate loans are disclosed at carrying value due to the short term interest period.

Advice has been sought from external treasury advisors on fair value judgements and estimates.

Derivative financial instruments

Orbit uses derivative financial instruments to reduce exposure to interest rate movements. Orbit does not hold or issue derivative financial instruments for speculative purposes. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the exposure to a fixed interest risk or foreign exchange risk of a debt instrument measured at amortised cost or the commodity price risk in a firm commitment or of a commodity held, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (and any gains or losses on re-measurement are recognised in the statement of comprehensive income).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into the statement of comprehensive income using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where the hedged risk is the variable interest rate risk in a debt instrument measured at amortised cost; the interest rate risk in a firm commitment or a highly probable forecast transaction, Orbit recognises the effective part of any gain or loss on the derivative financial instrument in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income.

The hedging gain or loss recognised in OCI is reclassified to the statement of comprehensive income when the hedged item is recognised in the statement of comprehensive income or when the hedging relationship ends.

1. Principal accounting policies (continued)

Orbit Treasury Limited accounting policy for derivatives is to recognise in the statement of comprehensive income gains and losses on hedges of revenues or operating payments only as they crystallise. Treasury policy states clearly all transactions will be in sterling or hedged to sterling.

Movement in fair value of financial instruments

Hedge accounting

The principle of hedge accounting applies only to standalone swaps, which have to be fair valued at each period end.

However, RPI swaps and swaps with cancellable options do not meet the criteria of hedging instruments (FRS 102 section12.17C). The movement in fair value is therefore taken directly to the statement of comprehensive income.

For the remaining vanilla interest rate swaps an assessment must be made of the hedge effectiveness. The mark to market (MTM) movement during the accounting period on each vanilla swap is analysed between effective and ineffective, with the effective element posted to the cash flow hedge reserve and the ineffective element charged/credited to the statement of comprehensive income.

Debt instruments (loan portfolio)

External loans also need to be categorised either as basic or other. The basic approach results in a requirement to report interest costs using the Effective Interest Rate (EIR) method. This necessitates modelling on a loan by loan basis averaging (via an EIR calculation) all elements of income and expenditure relating to the loan (margin, including future step ups, arrangement fees).

The EIR for fixed rate instruments will be calculated as the rate which exactly discounts the instrument's future cash flows to the carrying amount (FRS 102 section 11.15). Arrangement fee amortisation will be calculated separately and netted off against the carrying value of the debt liability.

Due to the short term of our floating rate instruments the carrying amount will be set equal to the nominal loan amount less unamortised fee.

Bond finance

Bonds are shown at their redemption value net of discount and issue costs. The discount on issue of the bonds is written off through the statement of comprehensive income on an actuarial basis over the life of the bond.

HomeBuy

The Association operates the HomeBuy scheme lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentages of the proceeds are repaid. The loans are financed by an equal amount of SHG. On repayment:

(a) The SHG is recycled
(b) The SHG is written off, if a loss occurs
(c) The Association keeps any surplus

Mortgage rescue

The Association operates the mortgage rescue equity loan scheme whereby, in a mortgage rescue case, if the occupier has sufficient equity in the product to not require a full mortgage rescue option, the Association can offer an interest only loan for between 25% and 75% of the outstanding mortgage secured on the property, with interest payable at 1.75% on the loan, increasing by RPI + 0.5%. The loan period will be up to 25 years, usually linked to the remaining period on the mortgage.

The equity loans are financed in part by grants of 73% received from Homes England, which are recycled on repayment of the loan.

The loans and associated grants are disclosed as 'HomeBuy and other equity loans and grants' in note 15 to the financial statements.

2. Turnover, cost of sales, operating costs and operating surplus by class of business

Group	2019				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	218.2	-	(131.9)	-	86.3
Other social housing activities					
Properties for sale	6.4	(6.4)	-	-	-
Home ownership services	3.8	-	(7.2)	-	(3.4)
LCHO first tranche sales	35.3	(28.4)	-	-	6.9
Charges for support services	0.1	-	(2.1)	-	(2.0)
Other	2.1	-	(13.0)	-	(10.9)
	47.7	(34.8)	(22.3)	-	(9.4)
	265.9	(34.8)	(154.2)	-	76.9
Non-social housing activities	7.0	-	(5.2)	-	1.8
Developments for sale	43.5	(35.7)	-	-	7.8
Surplus on sale of housing	-	-	-	29.9	29.9
	316.4	**(70.5)**	**(159.4)**	**29.9**	**116.4**

Group	2018				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	209.8	-	(130.5)	-	79.3
Other social housing activities					
Properties for sale	3.5	(3.5)	-	-	-
Home ownership services	2.7	-	(4.0)	-	(1.3)
LCHO first tranche sales	73.2	(50.2)	(6.0)	-	17.0
Charges for support services	0.4	-	(2.0)	-	(1.6)
Other	5.3	(1.8)	(16.8)	-	(13.3)
	85.1	(55.5)	(28.8)	-	0.8
	294.9	(55.5)	(159.3)	-	80.1
Non-social housing activities	6.9	-	(5.6)	-	1.3
Developments for sale	55.6	(46.2)	-	-	9.4
Surplus on sale of housing	-	-	-	24.9	24.9
	357.4	**(101.7)**	**(164.9)**	**24.9**	**115.7**

2. Turnover, cost of sales, operating costs and operating surplus by class of business

Association	**2019**				
	Turnover £m	**Cost of sales £m**	**Operating costs £m**	**Surplus on sale of housing £m**	**Operating surplus/(deficit) £m**
Social housing lettings (note 3)	19.1	-	(6.6)	-	12.5
Other social housing activities					
Properties for sale	3.8	(3.8)	-	-	-
Home ownership services	1.2	-	(1.9)	-	(0.7)
LCHO first tranche sales	35.3	(28.4)	-	-	6.9
Group recharges	23.1	-	(23.1)	-	-
Other	0.4	-	(2.5)	-	(2.1)
	63.8	(32.2)	(27.5)	-	4.1
	82.9	(32.2)	(34.1)	-	16.6
Non-social housing activities	0.1	-	-	-	0.1
Surplus on sale of housing	-	-	-	5.0	5.0
	83.0	**(32.2)**	**(34.1)**	**5.0**	**21.7**

Association	**2018**				
	Turnover £m	**Cost of sales £m**	**Operating costs £m**	**Surplus on sale of housing £m**	**Operating surplus/(deficit) £m**
Social housing lettings (note 3)	16.6	-	(5.7)	-	10.9
Other social housing activities				-	
Properties for sale	1.2	(1.2)	-	-	-
Home ownership services	0.6	-	(0.7)	-	(0.1)
LCHO first tranche sales	73.1	(50.1)	(6.0)	-	17.0
Group recharges	19.3	-	(19.3)	-	-
Other	1.0	-	(4.6)	-	(3.6)
	95.2	(51.3)	(30.6)	-	13.3
	111.8	(51.3)	(36.3)	-	24.2
Non-social housing activities	0.1	-	(0.1)	-	-
Surplus on sale of housing	-	-	-	5.7	5.7
	111.9	**(51.3)**	**(36.4)**	**5.7**	**29.9**

3. Income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing and housing for older people £m	Low cost home ownership £m	2019 £m	2018 £m
Income					
Rent receivable net of service charges	159.2	11.6	14.8	**185.6**	182.3
Service charge income	14.2	6.7	2.4	**23.3**	18.1
Amortisation of social housing and other capital grants	7.1	0.8	0.8	**8.7**	8.6
Other income from lettings	-	-	0.6	**0.6**	0.8
	180.5	19.1	18.6	**218.2**	209.8
Expenditure					
Management	(14.7)	(4.3)	(1.2)	**(20.2)**	(26.5)
Service charge costs	(16.0)	(7.4)	(2.7)	**(26.1)**	(18.8)
Routine maintenance	(27.7)	(2.1)	(0.1)	**(29.9)**	(27.8)
Planned maintenance	(16.6)	(2.4)	(0.2)	**(19.2)**	(24.0)
Bad debts	(1.8)	-	-	**(1.8)**	(2.0)
Depreciation of housing properties	(28.8)	(2.3)	(2.4)	**(33.5)**	(31.2)
Impairment of housing properties	0.1	-	-	**0.1**	-
Other costs	(1.2)	(0.1)	-	**(1.3)**	(0.2)
Operating costs on social housing lettings	(106.7)	(18.6)	(6.6)	**(131.9)**	(130.5)
Surplus/(deficit) on social housing lettings	73.8	0.5	12.0	**86.3**	79.3
Void losses	(3.8)	(0.6)	-	**(4.4)**	(2.7)

3. Income and expenditure from social housing lettings (continued)

Association

	General needs housing £m	Low cost home ownership £m	2019 £m	2018 £m
Income				
Rent receivable net of service charges	0.5	14.7	**15.2**	13.1
Service charge income	0.1	2.4	**2.5**	2.0
Amortisation of social housing and other capital grants	-	0.7	**0.7**	0.7
Other income from lettings	-	0.7	**0.7**	0.8
	0.6	18.5	**19.1**	16.6
Expenditure				
Management	-	(1.2)	**(1.2)**	(1.8)
Service charge costs	(0.1)	(2.5)	**(2.6)**	(1.6)
Routine maintenance	-	(0.1)	**(0.1)**	(0.1)
Planned maintenance	(0.1)	(0.1)	**(0.2)**	-
Bad debts	(0.1)	-	**(0.1)**	-
Depreciation of housing properties	(0.1)	(2.3)	**(2.4)**	(2.2)
Operating costs on social housing lettings	(0.4)	(6.2)	**(6.6)**	(5.7)
Surplus on social housing lettings	0.2	12.3	**12.5**	10.9
Void losses	-	-	**-**	-

4. Staff costs

	Group		Association	
	2019 Number	**2018 Number**	**2019 Number**	**2018 Number**
Average number employed				
Office staff	**933**	1,008	**919**	991
Scheme staff	**164**	212	**159**	205
	1,097	1,220	**1,078**	1,196
Full time	**923**	993	**908**	972
Part time	**174**	227	**170**	223
	1,097	1,220	**1,078**	1,195
Full time equivalents	**1,077**	1,179	**1,059**	1,156

A full time equivalent would be 35 hours per week.

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Staff costs for the above				
Wages and salaries	**38.0**	40.6	**37.3**	39.9
Social security costs	**3.9**	3.8	**3.9**	3.7
Other pension costs	**2.2**	2.1	**2.2**	2.1
	44.1	46.5	**43.4**	45.7

	Group		Association	
	2019 Number	**2018 Number**	**2019 Number**	**2018 Number**
Number employed at 31 March				
Office staff	**967**	943	**953**	928
Scheme staff	**140**	189	**135**	182
	1,107	1,132	**1,088**	1,110

4. Staff costs (continued)

Directors and key management personnel emoluments

The full time equivalent number of staff whose remunerations paid in the year was in excess of £60,000:

Band changes	Group	
	2019 Number	2018 Number
£60,001 - £70,000	**1**	-
£70,001 - £80,000	**3**	3
£80,001 - £90,000	**3**	1
£90,001 - £100,000	**2**	1
£100,001 - £110,000	**1**	4
£110,001 - £120,000	**3**	1
£120,001 - £130,000	**4**	2
£130,001 - £140,000	**-**	2
£140,001 - £150,000	**1**	-
£150,001 - £160,000	**1**	1
£160,001 - £170,000	**2**	-
£170,001 - £180,000	**1**	-
£190,001 - £200,000	**1**	1
£310,001 - £320,000	**1**	-
Total	**24**	16

5. Operating Surplus

	Group		Association	
	2019 £m	2018 £m	2019 £m	2018 £m
Operating surplus is arrived at after charging/(crediting)				
Depreciation of housing properties	**33.5**	31.2	**2.5**	2.2
Depreciation of fixed assets	**2.6**	2.4	**2.2**	2.0
Amortisation of social housing grant	**(8.7)**	(8.6)	**(0.8)**	(0.7)
Impairment of housing properties	**(0.1)**	-	**-**	-
Impairment of other tangible fixed assets	**-**	0.1	**-**	-
Profit/loss on sale of fixed assets	**0.1**	(0.9)	**(0.4)**	-
Operating lease rentals	**1.0**	1.1	**0.1**	0.1
Auditors' remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of the financial statements	**0.1**	0.1	**-**	-
Non-audit services				
Fees payable to the Association's auditors for other services	**0.1**	-	**0.1**	-
Total non-audit services	**-**	-	**0.1**	-

The audit fee for the year ending 31 March 2019 was £99,125 (2018 £87,125)

6. Directors emoluments

The Directors of the Association are its Board Members and the Group Chief Executive.

Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits:

	Group		Association	
Group Board Members (non-executive)	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**
The Rt Hon. Baroness Blackstone	**30**	27	**30**	27
A Crook	**11**	15	**11**	15
F Beckett	**16**	16	**16**	16
S Brown	**12**	9	**12**	9
C Crook	**16**	15	**16**	15
A Hobart	**4**	9	**4**	9
D Weaver	**17**	9	**17**	9
D Young	**11**	11	**11**	11
S Howlett	**4**	-	**4**	-
H Gillett	**2**	-	**2**	-
Total	**123**	111	**123**	111

	Group		Association	
	2019 £000	**2018 £000**	**2019 £000**	**2018 £000**
Aggregate emoluments (including pension contributions) paid to or received by directors who are executive staff members including salaries, honoraria and other benefits	**1,420**	1,117	**1,420**	1,117
Aggregate emoluments of the highest paid director excluding pension contributions included in aggregate emoluments of directors who are executive staff members	**311**	192	**311**	192

The Group Chief Executive took up his position with the Group during the year ending 31 March 2018. The Group Chief Executive was a member of SHPS on the same terms as all other staff that are also members; no enhanced or special terms apply. Expenses paid during the year to board members amounted to £ 20,000 (2018: £21,000).

7. Surplus on sale of fixed assets - housing properties

Group			**2019**			**2018**
	Letting £m	**Shared equity £m**	**Total £m**	**Letting £m**	**Shared equity £m**	**Total £m**
Disposal proceeds	36.4	11.8	**48.2**	28.0	12.6	40.6
Carrying value of fixed assets	(13.3)	(8.4)	**(21.7)**	(9.0)	(8.6)	(17.6)
	23.1	3.4	**26.5**	19.0	4.0	23.0
Capital grant recycled	3.4	1.6	**5.0**	2.5	1.7	4.2
Disposal procceeds fund and grant abated	(0.4)	-	**(0.4)**	-	-	-
Right To Buy Clawback	(1.2)	-	**(1.2)**	(2.3)	-	(2.3)
Surplus on disposal	24.9	5.0	**29.9**	19.2	5.7	24.9

Association		**2019**		**2018**
	Shared equity £m	**Total £m**	**Shared equity £m**	**Total £m**
Disposal proceeds	11.8	**11.8**	12.4	12.4
Carrying value of fixed assets	(8.4)	**(8.4)**	(8.4)	(8.4)
	3.4	**3.4**	4.0	4.0
Capital grant recycled	1.6	**1.6**	1.7	1.7
Surplus on disposal	5.0	**5.0**	5.7	5.7

8. Interest receivable and other income

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Interest receivable and other income	**4.5**	0.9	**2.5**	1.4

9. Interest payable

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Loans and bank overdrafts	**55.9**	50.7	**15.3**	4.3
Interest payable capitalised on housing properties under construction	**(9.0)**	(11.4)	**(1.3)**	(0.9)
	46.9	39.3	**14.0**	3.4
Capitalisation rate used to determine the finance costs capitalised during the period	**4.06%**	4.06%	**4.06%**	4.06%
Other financing costs				
Loan arrangement fees	**2.3**	-	**-**	-
Defined benefit pension charge	**0.7**	0.4	**0.6**	0.3
	3.0	0.4	**0.6**	0.3

10. Tax on surplus on ordinary activities

The only members of the Group liable to a tax charge or credit throughout the year ended 31 March 2019 were Orbit Homes (2020) Limited, Orbit Treasury Limited and Orbit Capital plc. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the statement of financial position of the Association at either 31 March 2019 or 31 March 2018.

No deferred tax asset has been provided in respect of trading losses carried forward due to the uncertainty as to when the benefit of this asset would be obtained.

The charge for the year is based on the surpluses/deficits arising on activities that are liable to tax.

		Group		Association
	2019 £m	2018 £m	2019 £m	2018 £m
(a) Analysis of (credit)/charge in year:				
Current tax:				
UK corporation tax on profits of the year	**1.0**	-	**-**	-

The current tax charge for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2017: 20%). The differences are explained below:

		Group		Association
	2019 £m	2018 £m	2019 £m	2018 £m
(b) Factors affecting tax charge for current year				
Surplus on ordinary activities before taxation	**42.3**	85.5	**10.3**	52.6
Tax charge at 19% (2017: 20%) thereon	**8.1**	16.2	**2.0**	10.0
Non taxable (surpluses) (primarily charitable exemptions)	**(7.1)**	(16.2)	**(2.0)**	(10.0)
Current tax (credit)/charge for the year	**1.0**	-	**-**	-

(c) Factors that may affect future tax charges:

The government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019. In the 2016 budget, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Association	
	2019 £m Assets	2018 £m Assets	2019 £m Assets	2018 £m Assets
Total (assets) as at 1 April and 31 March	(0.3)	(0.4)	-	-

The adoption of FRS 102 has resulted in certain costs relating to the third party borrowing being recognised using an effective interest rate method rather than on a straight line basis as previously. As a result the difference between the carrying values at 31 March 2015 using old GAAP accounting and the carrying values at that date as restated applying FRS 102 have been brought into account as a taxable transitional adjustment, spread over a 10 year period.

None of the borrowing which gave rise to the transitional adjustments was fully repaid by 31 March 2016 therefore 10% of the adjustments will be taxed each year starting with the period to 31 March 2016; a loss of £2,882,000 resulting in a deduction of £288,200 per year.

Deferred tax should be recognised in respect of the taxable transitional adjustments.

The deferred tax asset has been recalculated using the prevailing corporation tax rate of 17% (18% in 2016/17) of the carrying value at 31 March 2017 £2,309,600 and spread over the remaining 8 year period, resulting in £48,994 of future tax release per year to the statement of comprehensive income and a one off correction of £23,056.

12. Housing properties

Group	Housing properties for letting		Supported housing	Low cost home ownership		Non-social housing	
	Complete	In development	Complete	Complete	In development	Complete	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 April 2018	2,071.8	205.6	58.6	236.3	88.7	2.6	2,663.6
Additions	85.1	61.0	3.7	3.0	55.2	-	208.0
Transfer on completion	125.0	(125.0)		71.7	(71.7)	-	-
Transfer between tenures	3.8	-	-	(3.8)	-		-
Transfer to stock/WIP	-	-	-	(23.2)	(5.7)	-	(28.9)
Disposals	(13.2)	-	(1.7)	(6.3)	-	-	(21.2)
At 31 March 2019	2,272.5	141.6	60.6	277.7	66.5	2.6	2,821.5
Less: accumulated depreciation							
At 1 April 2018	(241.4)	-	(16.7)	(16.9)	-	(0.2)	(275.2)
Eliminated on disposal	5.3	-	0.5	0.4	-	-	6.2
Depreciation	(28.3)	-	(1.7)	(2.3)	-	-	(32.3)
At 31 March 2019	(264.4)	-	(17.9)	(18.8)	-	(0.2)	(301.3)
Less: provisions for impairment							
At 1 April 2018	(3.3)	-	-	(0.1)	(0.9)	-	(4.3)
Charge for the year	0.1	-	-	-	-	-	0.1
At 31 March 2018	(3.2)	-	-	(0.1)	(0.9)	-	(4.2)
Net book amount							
At 31 March 2019	**2,004.9**	**141.6**	**42.7**	**258.8**	**65.6**	**2.4**	**2,516.0**
At 31 March 2018	1,827.1	205.6	41.9	219.3	87.8	2.4	2,384.1

12. Housing properties (continued)

Additions to properties during the year include capitalised interest and finance costs of £ 9.0 million (2018: £11.4 million restated) and development administration costs/project management fees of £4.4 million (2018: £5.9 million). The Group reviewed its properties for impairment and there was a charge of £Nil (2018: £Nil) to the statement of comprehensive income. During the year the total expenditure on works to existing properties was £71.8 million of which £ 32.2 million has been capitalised.

Association	Housing properties for letting	Low cost home ownership		
	Complete £m	Complete £m	In development £m	Total £m
Cost				
At 1 April 2018	15.6	233.8	89.3	338.7
Reclassifications	-	(0.2)	0.2	-
Additions	-	0.6	35.9	36.5
Transfer on completion	-	71.7	(71.7)	-
Transfer to other group members	-	(3.8)	18.4	14.6
Transfer to stock/WIP	-	(23.2)	(5.7)	(28.9)
Disposals	-	(6.3)	-	(6.3)
At 31 March 2019	15.6	272.6	66.4	354.6
Less: accumulated depreciation				
At 1 April 2018	(1.1)	(16.7)	-	(17.8)
Eliminated on disposal	-	0.4	-	0.4
Depreciation	(0.2)	(2.3)	-	(2.5)
At 31 March 2019	(1.3)	(18.6)	-	(19.9)
Less: provisions for impairment				
At 1 April 2018	-		(1.1)	(1.1)
Transfer on completion	-	(0.1)	0.1	-
At 31 March 2019	-	(0.1)	(1.0)	(1.1)
Net book amount				
At 31 March 2019	**14.3**	**253.9**	**65.4**	**333.6**
At 31 March 2018	14.5	217.1	88.2	319.8

Additions to properties during the year include capitalised interest and finance costs of £1.3 million (2018: £0.9 million) and development administration costs/project management fees of £2.0 million (2018: £3.0 million). The Association reviewed its properties for impairment and there was a charge of £Nil to statement of comprehensive income for 2019 (2018: £Nil).

	Group		Association	
	2019 £m	2018 £m	2019 £m	2018 £m
The net book value of housing and other properties (note 12) comprises:				
Freehold land and buildings	**2,511.2**	2,287.6	**329.8**	312.9
Long leasehold land and buildings	**10.7**	9.9	**7.6**	7.8
	2,521.9	2,297.5	**337.4**	320.7

13. Investments

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Monies deposited with Affordable Housing Finance Plc	**3.9**	2.6	**-**	-
Investment in preference shares of Orbit Homes (2020) Limited	**-**	-	**34.0**	34.0
Investment in ordinary shares of Orbit Capital plc*	**-**	-	**-**	-
Investment in Community Impact Partnership CIC**	**-**	-	**-**	-
Total	**3.9**	2.6	**34.0**	34.0

The directors believe that the carrying value of the investments is supported by their underlying net assets.

*Investment in ordinary shares of Orbit Capital plc by the Association was £13,000 (2018: £13,000).

**Investment in 1 share of Community Impact Partnership CIC by Orbit Gateway Limited £1 (2018: £0).

14. Intangible assets

	Group	Association
Cost	**2019 £m**	**2018 £m**
At 1 April 2018	**-**	**-**
Reclassified from other fixed assets	**8.8**	**8.8**
Additions	**3.4**	**3.4**
Disposals	**(1.6)**	**(1.6)**
31 March 2019	**10.6**	**10.6**
Amortisation		
At 1 April 2018	**-**	**-**
Reclassified from other fixed assets	**(5.4)**	**(5.4)**
Charge for the year	**(1.4)**	**(1.4)**
Eliminated on disposal	**1.1**	**1.1**
At 31 March 2019	**(5.7)**	**(5.7)**
Net book amount		
At 31 March 2019	**4.9**	**4.9**

15. Investment properties non-social housing properties held for letting

Group	2019 £m	2018 £m
At 1 April	**14.6**	-
Transfer from housing properties	**0.4**	10.4
Increase in value	**-**	4.2
At 31 March	**15.0**	14.6

Investment properties were valued as at 31 March 2019. The Group's investment properties have been valued by GVA, professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	5%
Annual inflation rate, after first two years	0%

16. HomeBuy and other equity loans

Group and Association

	2019			2018		
	HomeBuy loans £m	**Other equity loans £m**	**Total £m**	**HomeBuy loans £m**	**Other equity loans £m**	**Total £m**
Loan advanced to borrowers at April	9.7	3.3	**13.0**	10.6	3.3	**13.9**
Interest receivable	-	(0.1)	**(0.1)**	-	(0.1)	**(0.1)**
Repaid during the year	(0.9)	(0.1)	**(1.0)**	(0.9)	-	**(0.9)**
Loan advanced to borrowers at 31 March	8.8	3.1	**11.9**	9.7	3.2	**12.9**

17. Other fixed assets

Group	Freehold offices £m	Leasehold offices £m	Commercial premises £m	Furniture, fixtures & equipment £m	Total £m
Cost					
At 1 April 2018	2.3	10.8	0.5	18.8	32.4
Additions	-	0.2	-	1.9	2.1
Disposals	(0.4)	-	-	-	(0.4)
Reclassified to intangible assets	-	-	-	(8.8)	(8.8)
Write offs	-	-	-	(0.3)	(0.3)
At 31 March 2019	1.9	11.0	0.5	11.6	25.0
Less: accumulated depreciation					
At 1 April 2018	(1.0)	(5.1)	(0.2)	(14.1)	(20.4)
Charge for year	-	(0.6)	-	(0.5)	(1.1)
Reclassified to intangible assets	-	-	-	5.4	5.4
Disposals	0.2	-	-	-	0.2
Write offs	-	-	-	0.3	0.3
At 31 March 2019	(0.8)	(5.7)	(0.2)	(8.9)	(15.6)
Less: provisions for impairment					
At 1 April 2018	(0.1)	(1.5)	-	-	(1.6)
At 31 March 2019	(0.1)	(1.5)	-	-	(1.6)
Net book amount					
At 31 March 2019	**1.0**	**3.8**	**0.3**	**2.7**	**7.8**
At 31 March 2018	1.2	4.2	0.3	4.7	10.4

17. Other fixed assets (continued)

Association

	Freehold offices £m	Leasehold offices £m	Furniture, fixtures & equipment £m	Total £m
Cost or valuation				
At 1 April 2018	0.7	6.9	13.7	21.3
Additions	-	0.2	1.9	2.1
Write offs	-	-	(0.1)	(0.1)
Asset transfer to intangible assets	-	-	(8.8)	(8.8)
Disposals	(0.4)	-	-	(0.4)
At 31 March 2019	0.3	7.1	6.7	14.1
Less: accumulated depreciation				
At 1 April 2018	(0.4)	(2.9)	(9.1)	(12.4)
Asset transfer to intangible assets	-	-	5.4	5.4
Write offs	-	-	0.1	0.1
Charge for year	-	(0.4)	(0.3)	(0.7)
Eliminated on disposal	0.3	-	-	0.3
At 31 March 2019	(0.1)	(3.3)	(3.9)	(7.3)
Less: provisions for impairment				
At 1 April 2018	-	(0.5)	-	(0.5)
Charge/(credit) for year	-	-	-	-
At 31 March 2019	-	(0.5)	-	(0.5)
Net book amount				
At 31 March 2019	**0.2**	**3.3**	**2.8**	**6.3**
At 31 March 2018	0.3	3.5	4.6	8.4

18. Properties for sale

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Housing properties for sale	**0.6**	0.6	**0.6**	0.5
Shared ownership - completed properties	**3.1**	2.6	**3.1**	2.6
Shared ownership - under construction	**33.7**	27.7	**33.7**	27.8
Market sale - under construction	**139.0**	84.9	**-**	-
	176.4	115.8	**37.4**	30.9

The above figures include capitalised interest of £0.3 million (2018: £0.3 million) for the Group and the Association.

19. Debtors

	Group		Association	
Due within one year:	**2019 £m**	**2018 £m**	**2019 £m**	**2018 £m**
Rental debtors	**9.3**	8.5	**0.5**	0.4
Less: provision for doubtful debts	**(3.3)**	(2.7)	**(0.2)**	(0.1)
	6.0	5.8	**0.3**	0.3
Amounts due from subsidiaries	**-**	-	**66.9**	73.4
Prepayments and accrued Income	**5.3**	2.6	**3.3**	1.5
SHG receivable	**-**	5.9	**-**	1.5
Amounts due from development partners	**-**	0.4	**-**	-
Taxation and social security	**1.8**	0.7	**-**	-
Other debtors	**12.3**	16.0	**3.1**	2.9
	25.4	31.4	**73.6**	79.6
Due after more than one year:				
Other debtors	**2.2**	4.0	**0.3**	0.4
Amounts due from subsidiaries	**-**	-	**64.3**	26.5
	2.2	4.0	**64.6**	26.9

Loans have been made to partner companies to enable the construction and sale of homes at certain sites. The loans are repaid out of the sales receipts and are appropriately secured.

20. Creditors: amounts falling due within one year

	Group		Association	
	2019 £m	2018 £m	2019 £m	2018 £m
Housing loans (note 25)	**44.6**	59.5	**4.8**	0.9
Trade creditors	**28.0**	18.0	**9.4**	5.1
Amounts due to group undertakings	**-**	-	**102.2**	101.2
Other creditors including taxation and social security	**15.0**	11.6	**7.9**	6.8
Accruals and deferred income	**24.9**	24.0	**-**	-
Rents received in advance	**5.3**	5.1	**0.2**	0.3
Grants received in advance	**3.8**	2.7	**0.6**	0.9
RCGF and DPF within one year (note 24)	**14.4**	10.6	**10.3**	7.3
HomeBuy and other equity grants	**0.9**	0.9	**0.9**	0.9
Deferred capital grant (note 22)	**8.6**	8.6	**0.8**	0.8
Total	**145.5**	141.0	**137.1**	124.2

21. Other creditors: amounts falling due after more than one year

	Group		Association	
	2019 £m	2018 £m	2019 £m	2018 £m
Housing loans (note 25)	**690.8**	896.5	**160.3**	50.4
Derivatives financial liabilities	**104.9**	100.7	**-**	-
Deferred capital grant (note 22)	**647.0**	650.3	**57.6**	56.2
Deferred income for renewals and maintenance contributions	**11.7**	14.1	**3.4**	3.3
HomeBuy and other equity grants	**10.1**	11.1	**10.1**	11.1
Bond finance (note 25)	**689.4**	248.5	**-**	-
Other creditors	**1.9**	1.4	**-**	-
RCGF and DPF more than one year (note 24)	**11.3**	10.4	**5.4**	5.6
Loan premium Affordable Homes Plc	**8.5**	8.8	**-**	-
Total	**2,175.6**	1,941.8	**236.8**	126.6

Housing loans shown above are net of £2.9 million loan arrangement fees carried forward (2018: £4.0 million) and swap buy-out cancellation fees of £4.9 million (2018: £5.3 million).

Bond finance shown above is net of £3.9 million arrangement fees carried forward (2018: £1.7 million), discount costs of £10.3 million (2018: £3.5 million) and issue price premium of £3.6 million (2018: £3.7 million).

22. Deferred capital grant

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
At 1 April	**658.9**	651.0	**57.0**	58.9
Grant received in the year	**8.1**	16.0	**3.0**	1.8
Transfer to RCGF and DPF	**(1.7)**	(0.1)	**(1.7)**	(1.7)
Transfer from intercompany	**(0.1)**	-	**0.6**	(1.5)
Elimination on the disposal of assets	**(1.0)**	0.6	**0.3**	0.2
Released to income in the year	**(8.6)**	(8.6)	**(0.8)**	(0.7)
At 31 March	**655.6**	658.9	**58.4**	57.0

Analysed as:

Amounts to be released within 1 year	**8.6**	8.6	**0.8**	0.8
Amounts to be released in more than 1 year	**647.0**	650.3	**57.6**	56.2
Total	**655.6**	658.9	**58.4**	57.0

23. Provisions for liabilities

Group	**1 April 2018 £m**	**Provided in year £m**	**Released in year £m**	**31 March 2019 £m**
Dilapidations and renewals	0.9	-	(0.8)	**0.1**
Restructuring	1.3	-	(1.3)	**-**
Stratford Sound Insulation	0.6	-	(0.6)	**-**
Water rates	0.7	-	-	**0.7**
	3.5	-	(2.7)	**0.8**

Association	**1 April 2018 £m**	**Provided in year £m**	**Released in year £m**	**31 March 2019 £m**
Restructuring	1.3	-	1.3	**-**

Analysed as:	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Amounts to be released within 1 year	**0.1**	2.8	**-**	1.3
Amounts to be released in more than 1 year	**0.7**	0.7	**-**	-
	0.8	3.5	**-**	1.3

Delapidations have been provided for offices that we will be vacating as part of our office strategy.

The restructuring provision is for costs associated with the continued implementation of shaping our future and has been utilised.

The Stratford sound insulation provision relates to major works costs and this provision has now been fully utilised.

The water rates provision relates to costs arising from a historic contractual arrangement and will be utilised as required.

24. Recycled capital grant funds (RCGF) and disposal proceeds (DPF)

Group	RCGF £m	DPF £m	Total £m
At 1 April 2018	19.9	1.1	21.0
Grants recycled	6.1	0.0	6.1
Interest accrued	0.1	0.0	0.1
Utilised in the year	(0.4)	(0.1)	(0.5)
Other	(0.4)	(0.6)	(1.0)
At 31 March 2019	**25.3**	**0.4**	**25.7**

Analysed as:

Group	RCGF £m	DPF £m	Total £m
Within one year	14.0	0.4	14.4
After more than one year	11.3	0.0	11.3
At 31 March 2019	**25.3**	**0.4**	**25.7**

Association	RCGF £m	Total £m
At 1 April 2018	12.9	12.9
Grants recycled	2.7	2.7
Interest accrued	0.1	0.1
Utilised in the year	-	-
At 31 March 2019	**15.7**	**15.7**

Analysed as:

Association	RCGF £m	Total £m
Within one year	10.3	10.3
After more than one year	5.4	5.4
At 31 March 2019	**15.7**	**15.7**

The amount utilised in the year related to new developments and one off purchase of housing assets.

25. Housing loans and bond finance

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Due within one year				
Orbit Treasury Limited	**-**	-	**4.0**	0.2
Greenwich NatWest	**0.8**	0.7	**0.8**	0.7
Bank/building society loans	**43.8**	58.8	**-**	-
Debenture stock	**-**	-	**-**	-
	44.6	59.5	**4.8**	0.9
Due after more than one year				
Orbit Treasury Limited	**-**	-	**116.8**	6.1
Orbit Capital plc	**-**	-	**34.9**	34.9
Bond finance	**700.0**	250.0	**-**	-
Bank/building society loans	**583.9**	787.1	**-**	-
Affordable Homes Plc	**100.0**	100.0	**-**	-
Greenwich NatWest	**8.6**	9.4	**8.6**	9.4
	1,392.5	1,146.5	**160.3**	50.4
	1,437.1	1,206.0	**165.1**	51.3

All loans are in sterling. The majority of loans in the Group are routed through a separate treasury vehicle, Orbit Treasury Limited. All members of the Group have entered into a fully cross-collateralised structure. Orbit Treasury Limited borrows money on behalf of the Group and on-lends these to the individual Associations as required. The benefits of setting up the treasury vehicle include streamlined and efficient treasury procedures and strategy.

Orbit Capital plc was set up during 2014-15 as a funding vehicle for the issue of £250.0 million bond and the bond finance is on-lent to the Associations.

25. Housing loans and bond finance (continued)

Note (a)

Housing loans are secured by fixed charges on the Associations' housing properties and are repayable at varying rates of interest in instalments due as follows:

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
In one year or less, on demand	**19.6**	59.5	**4.8**	0.9
Repayable by instalments:				
- more than one year but not more than two years	**19.7**	33.3	**4.9**	0.2
- in more than two years but not more than five years	**59.8**	100.3	**17.9**	0.6
- in more than 5 years	**311.1**	577.9	**137.5**	49.7
	390.6	711.5	**160.3**	50.5
Repayable other than by instalments:				
- in one year or less	**25.0**	-	**-**	-
- in more than one year but not more than two years	**62.9**	5.0	**-**	-
- in more than two years but not more than five years	**94.0**	85.0	**-**	-
- in more than 5 years	**845.0**	345.0	**-**	-
	1,026.9	435.0	**-**	-
	1,437.1	1,206.0	**165.1**	51.4

The Greenwich NatWest (formerly Orchardbrook Ltd), bank and certain other loans were secured by fixed charges on individual properties. The loans from Greenwich NatWest are paid in half yearly instalments. The interest rates are 10.7% and 11.9% and the final instalments fall to be repaid in 2026 and 2032.

25. Housing loans and bond finance (continued)

The interest rate profile at 31 March 2018 was:

	Total £m	Variable rate £m	Fixed rate £m	Weighted average rate over term %	Weighted average term until maturity Years
Group					
Instalment loans	**0.4**	-	0.4	5.15	18.5
Non-instalment loans	**1.0**	-	1.0	3.26	23.0
	1.4	-	1.4	3.84	20.2
Association	**165.0**	120.7	44.3	10.30	23.7
Instalment loans					

The Group has various undrawn committed borrowing facilities. The facilities available at 31 March were as follows:

	Group 2019 £m
Expiring in less than one year	**15.0**
Expiring in more than one year but not more than two years	**75.0**
Expiring in more than two years	**137.1**
Undrawn committed facilities	**227.1**

Hedge Accounting (Group)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models in Group not in Association.

			2019			
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	39.2	2.4	2.4	7.8	26.5
Liabilities	60.4	(123.2)	(10.4)	(10.0)	(27.6)	(75.2)
	60.4	(84.0)	(8.0)	(7.6)	(19.8)	(48.7)

			2018			
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	48.9	2.2	3.3	10.7	32.8
Liabilities	54.9	(133.6)	(10.4)	(10.4)	(29.0)	(83.9)
	54.9	(84.7)	(8.2)	(7.1)	(18.3)	(51.1)

25. Housing loans and bond finance (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

	2019					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	13.4	0.5	0.5	1.9	10.4
Liabilities	44.5	(42.5)	(2.4)	(2.4)	(7.1)	(30.7)
	44.5	(29.1)	(1.9)	(1.9)	(5.2)	(20.3)

	2018					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	12.0	0.3	0.5	1.9	9.2
Liabilities	45.7	(34.2)	(1.8)	(1.8)	(5.5)	(25.0)
	45.7	(22.2)	(1.5)	(1.3)	(3.6)	(15.8)

Fair values

The fair values of all financial assets and financial liabilities by category together with their carrying amounts shown in the statement of financial position are as follows:

	2019		2018	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Loan	421.7	559.9	484.0	680.8
Bond	854.4	1,002.5	95.0	110.3
Embedded swap	161.0	54.3	240.6	88.8
	1,437.1	1,616.7	819.6	879.9

Orbit Treasury Limited has thirty cash flow hedges. The hedge relationships of twenty five meet each condition for hedge accounting, which are consistent with the entity's risk management objectives for undertaking hedges. The remaining five cash flow hedges do not meet the conditions of hedge accounting due to having callable options in the swap contract from the banks.

Orbit Treasury Limited considers that an economic relationship exists between the hedging instrument (interest rate swap) and the hedged item (floating rate loan) in that the values of the hedged item and hedging instrument move in opposite directions in response to movements in LIBOR, the hedged risk, over the life of the hedge.

The objective of the hedge is to mitigate the changes in the future cash flows stemming from the floating rate interest payments related to the floating rate loan entered into by Orbit Treasury Limited.

25. Housing loans and bond finance (continued)

In accordance with chapter 12 of FRS 102, hedge accounting has been applied to swap contracts held with the following counterparties.

	2019 £m	2018 £m
Barclays	**23.8**	23.4
Lloyds	**44.7**	42.2
RBS	**1.4**	1.5
Dexia	**7.7**	7.4
	77.6	74.5

Swaps held with the following counterparties do not quality for hedge accounting

	2019 £m	2018 £m
Barclays	**8.0**	7.7
Lloyds	**15.5**	14.8
Dexia	**3.9**	3.7
	27.4	26.2
Total fair value of derivatives	**105.0**	100.7

The total movement in fair value of derivatives, which qualify for hedge accounting, in the year was £4,224,000 (2018: £16,166,000) of which £5,467,000 (2018: £10,961,000) were recognised in other comprehensive income representing the effective component. The ineffective component of £81,000 gain (2018: £1,504,000 gain) representing the shortfall of the fair value of hedging instruments over the change in the fair value of expected cash flows together with £1,162,000 (2018: £3,701,000) fair value movement of swap contracts that do not qualify for hedge accounting.

The hedged items have a variable interest rate risk associated with the LIBOR linked bank loan. The counterparty to the swap and the credit risk associated is considered to be low.

Financial risk management

Our operations expose us to a variety of financial risks. We have in place a risk management programme that seeks to limit the adverse effects on our financial performance by monitoring levels of debt finance and related finance costs. The key risks are as follows:

Interest rate risk
At 31 March 2019, 97% of our debt was fixed or hedged. There is no intention to repay any term debt other than in accordance with the terms of each agreement. The Group has £43 million of variable debt funding which could be exposed to rises in LIBOR rates. If LIBOR was to increase by 0.50%, then the impact would be additional interest costs of £25,000 to the statement of comprehensive income. Any such costs can be recovered from the associations.

Liquidity risk
We actively lend the full amount of the loans borrowed, thus we have assets to fully offset its liabilities and interest receivable to offset its interest payable.

Credit risk
The liabilities to funders are secured by a legal charge over property assets owned by the associations with a value in excess of total borrowings. The carrying amount of the funding liabilities represents the maximum value exposed to credit risk. At the end of the financial year the credit rating of A2 negative outlook from Moody’s remained in place.

In May 2019, as part of their annual review, Moody’s issued an updated credit rating of A3 stable.

26. Called up share capital

	Group		Association	
	2019 £	**2018 £**	**2019 £**	**2018 £**
Issued and fully paid shares of £1 each				
At 1 April 2018	**8**	8	**8**	8
Issued	**-**	-	**-**	-
Surrendered	**-**	-	**-**	-
At 31 March 2019	**8**	8	**8**	8

The share capital of Orbit Group Limited, which was formed in 1997, is raised by the issue of shares with a nominal value of £1 each. The Association's Co-operative and Community Benefit Society status means the maximum shareholding permitted per member is 1 share. There is no authorised share capital and the Orbit Board may issue as many £1 shares as it wishes. However, the Board operates a restricted shareholding policy with all shares currently held by serving, or former Orbit board members only. The Association's shares carry no right to interest, dividend or bonus. Shares are not capable of being withdrawn or transferred and cannot be held jointly. Shareholders have the right to attend (or to vote by proxy) at any general, special general or extraordinary general meeting of the Association.

27. Revaluation reserve

Association	**1 April 2018 £m**	**Transfer to SoCI account £m**	**31 March 2019 £m**
Release of revaluation reserve relating to offices	0.2	(0.2)	-

28. Capital commitments

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Capital expenditure which has been contracted for but has not been provided for in the financial statements	502.9	399.8	**155.1**	75.1
Capital expenditure which has been authorised under authority from the Orbit board but has yet to be contracted for	362.2	403.9	**82.2**	56.0
	865.1	803.7	**237.3**	131.1

Orbit expects these commitments to be financed with:

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Social Housing Grant	**99.9**	82.0	**16.8**	0.3
Committed loan facilities and reserves	**207.1**	132.0	**74.0**	5.8
Proceeds from sale of properties	**558.1**	589.7	**146.5**	125.0
	865.1	803.7	**237.3**	131.1

29. Contingent liabilities

As at 31 March 2019, there were £32.6 million contingent liabilities within either the Group or the Association (2018: £32.7 million).

Stock acquisitions previously undertaken include original government grant funding of £33.0 million which has an obligation to be recycled in accordance with the original grant funding terms and conditions.

Orbit Group Ltd is responsible for the recycling of the grant in the event of the housing properties being disposed.

30. Cash flow from operating activities

	Group	
	2019 £m	**2018 £m**
Surplus for the year	**41.1**	85.4
Sale of tangible fixed assets	**(30.0)**	(24.9)
Increase in value of investment property	**-**	(4.2)
Interest payable	**46.9**	39.3
Loan break costs	**27.6**	-
Interest receivable	**(4.5)**	(0.9)
Movement in fair value of financial instruments	**1.3**	(5.2)
Other financing cost	**3.0**	0.4
Depreciation charge on other fixed assets	**2.2**	2.4
Depreciation charge on housing properties	**26.1**	26.0
Add back cost of sale for housing properties	**8.6**	14.0
Amortisation of grant on housing properties	**(8.6)**	(8.6)
Provision for impairment on other fixed assets	**(0.1)**	0.3
Movement in other provisions	**(3.9)**	1.8
(Decrease)/increase in bad debt provision	**0.6**	(0.3)
Decrease/(increase) in stocks	**(60.6)**	2.0
Adjustment for pension funding	**(2.3)**	(2.2)
Decrease/(increase) in debtors	**6.7**	(6.2)
(Increase)/decrease in creditors	**11.3**	(1.7)
Tax (paid)/refunded	**0.3**	(0.1)
Net cash inflow from operating activities	**65.7**	117.3

31. Reconciliation of net cash flow to movement in net debt

	Group	
	2019 £m	**2018 £m**
Increase/(decrease) in cash in the year	**81.3**	18.6
(Decrease) in bank deposits (with a maturity in excess of 24 hours)	**-**	(4.3)
Other changes	**(2.5)**	(0.4)
Loans and bond finance received	**(807.5)**	(76.5)
Loans repaid	**583.3**	9.8
Loan arrangement fees	**-**	0.4
Change in net debt	**(145.4)**	(52.4)
Net debt at 1 April	**(1,154.5)**	(1,102.1)
Net debt at 31 March	**(1,299.9)**	(1,154.5)

32. Analysis of changes in net debt

Group	**1 April 2018 £m**	**Cash flows £m**	**Other changes £m**	**31 March 2019 £m**
Cash at bank and in hand	19.6	1.3	-	20.9
Bank deposits less than 24 hours	30.0	80.0	-	110.0
	49.6	81.3	-	130.9
Bank deposits in excess of 7 days	-			
Housing loans due within one year	(59.5)	33.2	(18.3)	(44.6)
Housing loans due after one year	(896.5)	185.8	18.3	(692.4)
Bond finance	(250.2)	(443.1)	(6.7)	(700.0)
Loan premium	(8.8)	-	3.5	(5.3)
Loan and bond arrangement fees	10.9	-	0.6	11.5
	(1,154.5)	(142.8)	(2.6)	(1,299.9)

33. Financial commitments

Operating leases

At 31 March 2019 Orbit was committed to making total minimum future repayments of leases in respect of operating leases other than land and buildings:

	Group		Association	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Leases which expire				
Within 1 year	**1.0**	0.9	**0.3**	-
Within 2 - 5 years	**1.9**	1.2	**1.2**	0.1
After 5 years	**1.4**	-	**1.4**	-
Total	**4.3**	2.1	**2.9**	0.1

34. Number of units under development at 31 March 2019

	Group		Association	
	Total 2019 No.	**Total 2018 No.**	**Total 2019 No.**	**Total 2018 No.**
General needs	**1,800**	522	**-**	-
Low cost home ownership	**1,691**	2,024	**1,691**	1,251
Properties for market sale	**88**	145	**-**	-
Total social housing units	**3,579**	2,691	**1,691**	1,251

35. Property portfolio

		Group Restated		Association Restated
	Total 2019 No.	Total 2018 No.	Total 2019 No.	Total 2018 No.
General needs	**24,758**	24,886	**-**	-
Affordable rent	**5,086**	4,608	**-**	-
Intermediate rent	**190**	279	**117**	117
Supported housing	**3,540**	3,543	**-**	-
Total owned by Orbit	**33,574**	33,316	**117**	117
Low cost home ownership	**5,085**	4,770	**4,822**	4,516
Leasehold	**1,997**	1,893	**561**	532
Managed on behalf of others	**1,584**	1,198	**678**	392
Leasehold and other managed	**3,581**	3,091	**1,239**	924
Total social housing units	**42,240**	41,177	**6,178**	5,557
Private retirement schemes	**1,111**	1,111	**-**	-
Market rent	**92**	93	**-**	-
Commercial units	**27**	36	**-**	-
Total non social housing units	**1,230**	1,240	**-**	-
Total units	**43,470**	42,417	**6,178**	5,557

The prior year has been restated to reflect current year allocations, between' leasehold' and 'managed on behalf of others', and to move private retirement schemes to non social housing.

36. Subsidiary organisations, associates and related party transactions

The following comprise the subsidiary organisations for incorporation into consolidated financial statements for the Group in accordance with the Co-operative and Community Benefit Societies Act 2014 and Financial Reporting Standard 2 - Accounting for Subsidiary Undertakings:

Organisation	Status	Principal activity	Country of incorporation	Basis of control by parent undertaking
Registered under the Co-operative and Community Benefit Societies Act 2014				
Orbit South Housing Association Limited (trading as Orbit East & South)	Registered Housing Association and a Registered Society under the Co-operative and Community Benefit Societies Act 2014	Provision of rented housing	England and Wales	Control of membership of the board plus nominal shareholding
Heart of England Housing Association Limited (trading as Orbit Heart of England)	Registered Housing Association and a Registered Society under the Co-operative and Community Benefit Societies Act 2014	Provision of rented and special needs housing	England and Wales	Control of membership of the board plus nominal shareholding
Incorporated under the Companies Act 2006				
Orbit Treasury Limited	Private Limited Company	Group treasury vehicle	England and Wales	Ownership of all issued share capital
Orbit New Homes Limited	Private Limited Company	Development of housing for sale	England and Wales	Ownership of all issued share capital
Orbit Gateway Limited	Private Limited Company	Buying and selling of real estate	England and Wales	Ownership of all issued share capital
Orbit Homes (2020) Limited	Private Limited Company	Design and build company and development of housing for sale	England and Wales	Ownership of all issued share capital
Orbit Capital plc	Public Limited Company	Group bond finance vehicle	England and Wales	Ownership of all issued share capital

36. Subsidiary organisations and related party transactions (continued)

Non-controlling interests

Orbit Gateway Limited has a 25% interest in Community Impact Partnership CIC, a community interest company set up with a consortium of other housing associations; Peabody, Clarion Group and L and Q.

Transactions with non-regulated Group members

During the year the Association has transacted with three fellow group subsidiaries not regulated by the Regulator of Social Housing, Orbit Homes (2020) Ltd, Orbit Treasury Ltd and Orbit Capital plc. Orbit Homes (2020) Ltd provides design and build services to the Group. During the year the Association made payments totalling £18.4 million to Orbit Homes (2020) Ltd for the purchase of housing property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £2.2 million and outstanding debtors of £66.6 million.

Orbit Group Limited also transacted with the new Community Impact Partnership (CIP) incurring expenditure of £60,489 on its behalf and donated £12,500 to the entity.

Orbit Treasury Ltd and Orbit Capital plc provide a funding on lending service to Group members. During the year the Association paid interest costs to Orbit Treasury plc totalling £13.2 million (2018: £1.6 million) and fees of £0.6 million (2018: £0.1 million). The Association also paid interest costs of £0.8 million (2018: £1.2 million) to Orbit Capital plc. The allocation of these costs is based upon the level of debt required and secured by the housing properties held by the Association.

Related party transactions

The Orbit Heart of England and Orbit South Boards also include a member who is an elected representative of Nuneaton and Bedworth Borough Council. During the year Orbit made payments of £70,000 to the Council (2018: £18,000) and received payments from the council of £Nil (2018: £Nil).

A number of the board members are tenants/leaseholders of the Association or Group. Their tenancies/leases are on normal commercial terms and the members cannot use their position to their advantage. In the current year payments in aggregate to Orbit totalled £19,000 (2018: £16,000). The outstanding amount owed at 31 March 2019 was £Nil.

The Association is exempt from the requirements of Financial Reporting Standard FRS 102 'Related Party Disclosures' to disclose transactions between Group undertakings as all companies are under the control of the board of the parent company. Included with debtors (note 19) and creditors (note 21) are the amounts owed to and owed by other group members.

The Pension Trust, as administrator of the Social Housing Pension Scheme, and Kent County Council and Bexley London Borough as administrators of the Local Government Pension Scheme, are both considered to be related parties. Transactions with these entities are as set out in note 37.

37. Pension costs

Movement in pension cost liabilities during the year

	Group 2019 £m	Group 2018 £m	Association 2019 £m	Association 2018 £m
Net deficit at 1 April LGPS	**(3.0)**	(3.7)	**-**	-
Net deficit at 1 April SHPS	**(18.2)**	-	**(18.2)**	-
Initial recognition of SHPS defined benefit liability	**(7.3)**	-	**(7.3)**	-
Contributions	**3.0**	-	**2.9**	-
Other financing costs	**(0.7)**	-	**(0.6)**	-
Net return on assets less interest on pension scheme liabilities	**(0.1)**	(0.2)	**-**	-
Actuarial (loss)/gain	**(6.1)**	0.9	**(6.7)**	-
Deficit in pension scheme at 31 March	**(32.4)**	(3.0)	**(29.9)**	-

In 2018 SHPS was accounted for as a defined contribution scheme. See disclosures below. The net SHPS pensions deficit for Group and Association as at 1 April 2017 was £21 million, during the year ending 31 March 2018 £2.8 million deficit reduction contributions were made and as at 31 March 2018 the closing net deficit was £18.2 million.

Social Housing Pension Scheme - defined benefit scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by September 2026.

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

For financial years ending on or before 28 February 2019, it has not been possible for the housing association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the housing association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the housing association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the Scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the housing association’s fair share of the Scheme’s total assets to calculate the net deficit or surplus at the accounting period start and end dates.

The impact of Guaranteed Minimum Pension (GMP) equalisation is 0.07% of liabilities which is estimated at £78,000 and is included in the disclosures.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability) (Group and Association)

	31 March 2019 £m	31 March 2018 £m
Fair value of plan assets	**87.6**	84.2
Present value of defined benefit obligation	**(117.5)**	(109.7)
Surplus/ (deficit) in plan	**(29.9)**	(25.5)
Defined benefit asset (liability) to be recognised	**(29.9)**	(25.5)

37. Pension costs (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2019 £m
Defined benefit obligation at the start of the year	109.7
Interest expense	2.8
Actuarial losses due to scheme experience	0.2
Actuarial losses due to changes in demographic assumptions	0.3
Actuarial losses due to changes in financial assumptions	7.3
Benefits paid and expenses	(2.8)
Defined benefit obligation at the end of the year	**117.5**

Reconciliation of opening and closing balances of the fair value of plan assets

	31 March 2019 £m
Fair value of plan assets at the start of the year	84.2
Interest income	2.1
Experience on plan assets (excluding amounts included in interest income)- gain	1.1
Contributions by the employer	2.9
Benefits paid and expenses	(2.7)
Fair value of plan assets at the end of the year	87.6

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2019 was £3,315,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)

	31 March 2019 £m
Net interest expense	0.6

37. Pension costs (continued)

Defined benefit costs recognised in Other Comprehensive Income

	31 March 2019 £m
Experience on plan assets (excluding amounts included in net interest cost)-gain	**1.1**
Experience gains and losses arising on the plan liabilities - (loss)	**(0.2)**
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)	**(0.3)**
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)	**(7.3)**
Total amount recognised in other comprehensive income – (loss)	**(6.7)**

Assets

	31 March 2019 £m	31 March 2018 £m
Absolute Return	**7.6**	10.2
Alternative Risk Premia	**5.1**	3.2
Corporate Bond Fund	**4.1**	3.4
Credit Relative Value	**1.6**	-
Distressed Opportunities	**1.6**	0.8
Emerging Markets Debt	**3.0**	3.4
Fund of Helge Funds	**0.4**	2.8
Global Equity	**14.7**	16.6
Infrastructure	**4.6**	2.1
Insurance-Linked Securities	**2.5**	2.2
Liability Driven Investment	**32.1**	30.8
Long Lease Property	**1.3**	-
Net Current Assets	**0.1**	0.1
Private Debt	**1.2**	0.8
Property	**2.0**	3.9
Risk Sharing	**2.6**	0.8
Secured Income	**3.1**	3.1
Total assets	**87.6**	84.2

37. Pension costs (continued)

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	**2.31**	2.56
Inflation (RPI)	**3.29**	3.19
Inflation (CPI)	**2.29**	2.19
Salary Growth	**3.29**	3.19
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	**75% of maximum allowance**

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2019	**21.8**
Female retiring in 2019	**23.5**
Male retiring in 2039	**23.2**
Female retiring in 2039	**24.7**

37. Pension costs (continued)

Other pension schemes operated by Orbit South Housing Association Limited

(a) Local Government Pension Scheme – Kent County Council

The Association participates in The Local Government Pension Scheme (LGPS defined benefit statutory scheme) which is administered by Kent County Council (KCC). These figures have been prepared in accordance with Financial Reporting Standard 102 (FRS102).

Total employer contributions paid to the scheme for the year were £16.000 (2018: £16,000).

Triennial actuarial valuation

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary. The most recent valuation of KCC's scheme was completed as at 31 March 2016 using financial assumptions that comply with FRS 102.

The major financial assumptions used by the actuary in the FRS 102 valuation are:

	2019	2018
Rate of increase in salaries	**3.90%**	3.80%
Rate of increase in pensions in payment and deferred pensions	**2.40%**	2.30%
Discount rate applied to scheme liabilities	**2.40%**	2.55%
Inflation assumption - CPI	**2.40%**	2.30%
Inflation assumption - RPI	**3.40%**	3.30%

The estimate of the duration of the employer liabilities is 19 years.

Life Expectancy from age 65 (years)

		2019 Number	2018 Number
Retiring today	Males	**22.0**	23.1
	Females	**24.0**	25.2
Retiring in 20 years	Males	**23.7**	25.3
	Females	**25.8**	27.5

37. Pension costs (continued)

b) Local Government Pension Scheme - Bexley London Borough

Orbit South Housing Association Limited also participates in the Bexley London Borough Pension Fund, which is a defined benefit scheme.

Triennial actuarial valuations of the LGPS are performed by an independent, professionally qualified actuary. The most recent valuation of Bexley London Borough's scheme was completed as at 31 March 2016 using financial assumptions that comply with FRS102.

	2019	2018
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pensions payment and deferred pensions	**2.4%**	2.20%
Discount rate applied to scheme liabilities	**2.4%**	2.60%
Inflation assumption - CPI	**2.3%**	2.10%

Life Expectancy from age 65 (years)

		2019 Number	2018 Number
Retiring today	Males	**23.2**	23.1
	Females	**26.2**	26.1
Retiring in 20 years	Males	**25.4**	25.3
	Females	**28.4**	28.4

Scheme Assets

	31 March 2019 £m	31 March 2018 £m
Equities	**7.6**	7.1
Government bonds	**0.4**	0.6
Other bonds	**1.2**	1.0
Property	**1.5**	1.4
Other – cash	**0.2**	0.3
Absolute return fund	**0.7**	0.6
Other	**1.0**	1.0
Total fair value of assets	**12.6**	12.0
Present value of scheme liabilities	**(15.0)**	(15.0)
Net pension liability	**(2.4)**	(3.0)

37. Pension costs (continued)

Statement of financial position as at 31 March 2019

	31 March 2019 £m	31 March 2018 £m
Present value of the defined benefit obligation	**15.0**	15.0
Fair value of fund assets (bid value)	**(12.6)**	(12.0)
Net defined benefit liability/(asset)	**2.4**	3.0

Scheme liabilities

	2019 £m
Opening defined benefit obligation	**15.0**
Interest cost	**0.4**
Change in financial assumptions	**0.7**
Change in demographic assumptions	**(0.6)**
Estimated benefits paid net of transfers in	**(0.5)**
Closing defined benefit obligation	**15.0**

Reconciliation of opening and closing balances of fair value scheme assets

	2019 £m
Opening fair value of scheme assets	**12.0**
Interest on assets	**0.3**
Return on assets less interest	**0.4**
Other actuarial gains	**0.2**
Contributions by employer including unfunded	**0.1**
Estimated benefits paid net of transfers in and including unfunded	**(0.4)**
Fair value of scheme assets at the end of the year	**12.6**

37. Pension costs (continued)

Analysis of amounts charged to income and expenditure

	2019 £m	2018 £m
Amounts charged to operating costs		
Net interest on the defined liability (asset)	**0.1**	0.1

Movement in deficit during the year

	2019 £m	2018 £m
Deficit in pension scheme at 1 April 2018	**(3.0)**	(3.6)
Contributions	**0.1**	0.1
Net return on assets less interest on pension scheme liabilities	**(0.1)**	(0.1)
Actuarial gains/(losses)	**0.6**	0.6
Deficit in pension scheme at 31 March 2019	**(2.4)**	(3.0)

38. Non-consolidated management arrangements

Across the group, associations have entered into arrangements with a number of other organisations in connection with the management of some of the properties. The financial transactions affecting those managing agents are not consolidated where the risk rests with these agents.

39. Post balance sheet events

There were no post balance sheet events.

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