

**Heart of England Housing Association Limited (trading as Orbit Heart of England)**

**Financial statements**

**For the year ended 31 March 2019**

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

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## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### The Board, Executives and Advisors

#### Board Members

Name	Role	Appointed	Resigned/Retired
Fran Beckett	Chair I	1 April 2011	31 March 2019
Andy Hobart	I	14 September 2016	9 September 2018
Sam Margrave	R	9 July 2013	12 February 2019
Kerry Bolister	I	1 March 2015	
Grant Richardson	I	1 February 2013	
Dave Butler	I	1 August 2018	
John Brennan	R	28 August 2018	
Helen Gillett	I	1 February 2019	
Stephen Howlett	Chair I	1 November 2018 -Chair 1 April 2019	

R = Resident member

I = Independent member

#### Senior Management team

Director	Role
Paul Richards	Group Customer Services Director (Executive Director)
Caroline Davies	Director of Property Services
Anthony Clark	Director of Independent Living
Louise Palese-Gordon	Director of Customer Services
Martin Chuter	Director of Property Management

#### Advisors

Independent Auditors	Registered office
KPMG LLP One 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 30446R

Regulator of Social Housing Number L4526

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Report of the Board

Orbit Heart of England is part of the Orbit Group (“Orbit”); founded in 1967, we have been investing in the provision of quality homes and services for over fifty years. This report gives some highlights about our work. There is more detail in the Orbit financial statements

### Financial performance

Orbit Heart of England has had another strong performance during the current year. Turnover has increased by £3 million to £95 million in 2018/19 compared with the previous year. Rental income has increased by £2 million due to the increase in the number of units let during the year, offset by £1 million reduction in rent due to the 1% reduction to the majority of tenants in line with current legislation. Service charge income has increased by £2 million due to an increase in the levels of services provided and expenditure that is recoverable from tenants.

Property disposals have continued as Orbit continues to review its housing stock and disposes of older, uneconomical properties. This has led to an increase in profits from property disposals of £6 million.

Overall operating costs are £66 million, a similar level to the prior year. Management costs have been reduced by nearly £3 million and maintenance costs reduced by £1 million. These cost reductions have been offset by higher levels of service charge costs (offsetting the higher service charge income as noted above), higher levels of depreciation and other costs.

The operating surplus rose by £9 million year due to the operational improvements noted above together with higher profits on the disposal of properties. We achieved an operating margin of 36% on social housing lettings which was 1.6% higher than the previous year.

Orbit Capital plc arranged its second public bond issue on 7 June 2018 raising £450 million which was used to restructure the Group’s existing debt portfolio and provide long term funding to support the Group strategy. This resulted in £27.6 million of interest break costs, of which £13.5 million was allocated to Heart of England Housing Association. The pre tax surplus was therefore lower year on year by £8 million.

Tangible fixed assets rose by £68 million with an increase of 280 properties to 17,971 properties at year end. Total net assets rose by £14 million, representing the surplus for the year.

We will continue to invest profits earned in the year in improving our existing properties through our investment programmes, in providing better services to customers, investing in our communities and in the development of new homes.

### Strategy

This year we have 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 vision is to lead in building thriving communities.

Our values are:

Driven

Responsible

Innovative

Invest

Achieving together

Orbit is on track to achieve the targets set in its 2020 vision. To deliver 12,000 new homes, £30 million investment committed into sustainable communities, to ensure all our homes are safe and warm with a minimum EPC rating of C, 90% customer satisfaction, 75% of customer contacts taking place online and to provide a full range of home rental and ownership options.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Report of the Board

### Corporate Social Responsibility

Orbit's 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.

### Customer satisfaction

Customer satisfaction across the Group increased to 86.1% from 82.7% last year. 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. Customer feedback has highlighted that being a responsible landlord also means being an invisible landlord who is responsive to repairs and other requests. We have seen customer satisfaction improve following focused investment around responsive repairs and this is an area we know we can continue to work on.

We have also invested in two new teams, which have been designed to improve our customer experience.

The **Tenancy Sustainment** team offer coaching sessions specifically designed to assist customers who may need additional support with their tenancy. This could be 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 customers to our Better Days programme which provides customers with specialist support relating to employment, digital, money, and wellbeing.

The **Property Management** team is a visible presence in our communities, helping to make our developments look and feel better. They are on hand to respond as required and have had a positive impact on our customer service scores.

### Investment in our communities

Through its **Community Investment** programme, Orbit invests money, services and support into the areas it serves. This includes 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 over 300 customers successfully applying for jobs with assistance from Orbit, over 1,400 receiving employability and skills training and over £6m being secured in benefits and support payments to customers.

Orbit has also added a **placemaking team** to support the regeneration of six priority areas. These areas will spearhead our placemaking strategy through focused activity ranging from assets, investment and community groups.

In November, Orbit announced its involvement in the launch of the **Community Impact Partnership** – a brand new initiative between four major housing groups (Orbit, L&Q, Clarion 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 placement 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.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Report of the Board

### Warmer homes

Orbit is committed to ensuring all of its homes achieve EPC rating Band C or better by 2030. Not only does this meet Orbit's social responsibility ambitions, but it also supports our determination to tackle fuel poverty.

Forming part of our forward-thinking design standards, building energy efficiency homes will reduce fuel bills for customers and will be better for the environment.

To date, 75.7% of Orbit homes have achieved a rating of EPC C or above.

### 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 £12 million to improve and upgrade our existing Orbit Heart of England 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 across the Group over what we already have scheduled into our existing property maintenance scheme.

### Customer involvement

We are committed to involving customers in decisions affecting their homes. There is representation from customers on the Customer and Communities Board and a range of involvement opportunities have been developed as part of the co-regulation agenda for customers to scrutinise, hold us to account for our performance and have input into shaping service delivery.

Regular customer experience surveys (Real Time Feedback) are undertaken, with feedback from customers 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.

### Value For Money

Ensuring Value for Money for our customers and our business is at the heart of our culture and enables us to meet our key strategic targets as set by the Group Board and create operating profits to build thriving communities.

Our value for money statement is published within our group financial statements.

### Our People

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.

### 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. 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

## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Report of the Board

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 G1 and our financial viability rating is V2. Our V2 rating reflects our commitment to leverage our asset base to build new homes. Our G1 rating, demonstrates our strong ability to manage our risks.

### Subsequent events

There are no subsequent events to report.

### Going concern

After making enquiries, the Board has a reasonable expectation the Association has 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.

### Risk management

Our overall approach to risk management is based on good practice and our internal control environment is continually reviewed and monitored by the Orbit Audit and Risk Assurance Committee on behalf of the Board. Risk Management is a fundamental element of our Internal Control Environment and Assurance strategy, which feeds into our annual statement of internal controls.

**On behalf of the Heart of England Housing Association Limited Board**



**Stephen Howlett**  
Chair

**18 July 2019**

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Report of the Board

### Internal control

The members of the Orbit Group have in place an 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

The outcome of the assurance review is as follows:

<p>'Based on the risk and assurance work undertaken 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 <b>sufficient effectiveness</b> to provide reasonable assurance to the Audit and Risk Assurance Committee and the Board of Heart of England Housing Association Limited</p>
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## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Report of the Board

#### 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.

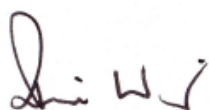
#### Annual general meeting

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

#### 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 18 July 2019 and signed on its behalf by:



**Richard Wright**  
Secretary

## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Independent Auditor's report to the members of Heart of England Housing Association Limited for the year ended 31 March 2019

#### Opinion

We have audited the financial statements of Heart of England Housing Association 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, 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 association as at 31 March 2019 and of its income and expenditure 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 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 association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 association's business model, including the impact of Brexit, and analysed how those risks might affect the 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 association will continue in operation.

#### Other information

The association's Board is responsible for the other information, which comprises Orbit in Numbers, The Board, Executives and Advisors, 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.

## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Independent Auditor's report to the members of Heart of England Housing Association Limited for the year ended 31 March 2019

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 respects.

#### Board's responsibilities

As more fully explained in their statement set out on page 8, 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 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 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](http://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.



**Sarah Brown**

**for and on behalf of KPMG LLP, Statutory Auditor**

**Chartered Accountants**

One Snowhill, Snow Hill Queensway

Birmingham

B4 6GH

26 July 2019

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	2	95,316	92,027
Operating costs	2	(66,614)	(66,245)
Surplus on sale of housing properties	7	17,151	11,206
<b>Operating surplus</b>	2	<b>45,853</b>	36,988
Gain/(loss) on sale of fixed assets	5	246	(71)
Interest receivable	8	14	5
Interest payable	9	(18,401)	(18,571)
Loan break costs		(13,465)	-
Movement in fair value of investment properties	12	21	4,248
Movement in fair value of financial instruments		99	9
<b>Surplus on ordinary activities before taxation</b>		<b>14,367</b>	22,608
Tax on surplus on ordinary activities	10	-	-
<b>Surplus for the year</b>		<b>14,367</b>	22,608

All amounts derive from continuing operations.

The accompanying notes form part of these financial statements.

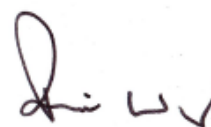
The financial statements on pages 11 to 35 were approved by the Board and signed on its behalf by:



Stephen Howlett  
Chair



Helen Gillett  
Board Member



Richard Wright  
Secretary

18 July 2019

**Heart of England Housing Association Limited (trading as Orbit Heart of England)**

**Statement of Changes in Reserves**

**For the year ended 31 March 2019**

	<b>Income &amp; expenditure reserve £000</b>	<b>Total reserves £000</b>
<b>Balance as at 1 April 2017</b>	88,479	88,479
Surplus for the year	22,608	22,608
Donations paid to Orbit Group Ltd	(6,732)	(6,732)
<b>Balance as at 31 March 2018</b>	<b>104,355</b>	<b>104,355</b>
<b>Balance as at 1 April 2018</b>	104,355	104,355
Surplus for the year	<b>14,367</b>	<b>14,367</b>
<b>Balance as at 31 March 2019</b>	<b>118,722</b>	<b>118,722</b>

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Statement of Financial Position

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible fixed assets	11 & 13	972,025	903,809
Investment properties	12	15,000	14,640
Fixed assets investments	14	2,513	1,433
		<b>989,538</b>	919,882
<b>Debtors: amounts falling due after more than one year</b>			
	15	512	839
<b>Current assets</b>			
Trade and other debtors	15	41,556	46,807
Cash and cash equivalents		3,111	1,049
		<b>44,667</b>	47,856
Provisions for liabilities due within one year	19	(63)	(721)
Less: creditors: amounts falling due within one year	16	(73,097)	(76,640)
<b>Net current liabilities</b>		<b>(28,493)</b>	(29,505)
<b>Total assets less current liabilities</b>		<b>961,557</b>	891,216
<b>Creditors: amounts falling due after more than one year</b>			
	17	(842,835)	(786,861)
<b>Total net assets</b>		<b>118,722</b>	104,355
<b>Reserves</b>			
Income and expenditure reserve		<b>118,722</b>	104,355

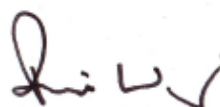
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Stephen Howlett  
Chair



Helen Gillett  
Board Member



Richard Wright  
Secretary

18 July 2019

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 1. Principal accounting policies

##### Legal status

Heart of England Housing Association 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. The parent body from the beginning of the year was Orbit Group Limited.

##### 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 Heart of England Housing Association Limited has applied all paragraphs of FRS 102 which relate to public benefit entities in preparing the financial statements. The principal accounting policies, which have been consistently applied unless otherwise stated throughout the year, are set out below.

##### Going concern

The Association's key activities are set out in the strategic report along with an assessment of the risks to the current operating environment. The Association 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 Association's accounting policies, management has made certain judgements that have a significant impact on the financial statements. These are detailed below.

##### Financial instrument valuation

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

##### Fixed asset and stock impairment

Fixed assets and are reviewed twice annually for evidence of impairment indicators, details of which are set out later in these policies. Stock is reviewed monthly.

##### 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.

##### Group services

The Association has taken advantage of the exemptions available in FRS 102 and has not disclosed transactions with the Parent undertaking as consolidated financial statements are available from the registered office. A range of services are provided to the Association by the parent body Orbit Group Limited, as set out in the intra-group agreement between the two Associations. The Association also has service agreements with other Associations within Orbit particularly in respect of receipt and delivery of housing management services. With the exception of costs capitalised as development costs, all costs incurred through this agreement are written off to the statement of comprehensive income account in the year in which they are incurred.

##### 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.

##### 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.

##### 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 and the extent to which they are directly engaged in the operations concerned.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 1 Principal accounting policies (continued)

##### Housing properties

Housing properties are stated at cost, less accumulated depreciation and impairment. 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	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 cost of components.

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

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 Social Housing Grant, are dealt with in 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.

##### Social housing and other grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received. Social housing grant received for items of cost written off in the statement of comprehensive income are matched against those costs as part of turnover.

Social Housing Grant can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the Social Housing Grant can be used for projects approved by Homes England. However, Social Housing Grant may have to be repaid if certain conditions are not met and, in that event, is a subordinated unsecured repayable debt. The net Social Housing Grant received and not spent is included in current liabilities, taking into account all properties under construction.

##### 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.



# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 1 Principal accounting policies (continued)

#### **Financial Assistance and other government grant receivable under section 19 of the Act or section 333 ZE of the Greater London Authority Act 1999**

The total accumulated amount of financial assistance and other government grant received or receivable at the date of the statement of financial position is based upon properties owned at that date. These are disclosed in note 18 of the financial statements which shows the extent to which amounts have been recognised in the statement of comprehensive income or are held as deferred income.

#### **Capitalisation of interest and administration costs**

Interest on loans financing development is capitalised at the group's weighted average cost 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.

#### **Other tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, less accumulated depreciation. 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%

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

#### **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 account using the annuity method. Rentals paid under operating leases are charged to the statement of comprehensive income account as incurred.

#### **Pension costs**

Orbit Group Limited participates in the Social Housing Pension Scheme further details can be found in the Orbit Group Limited financial statements. The disclosures in the financial statements follow the requirements of FRS17.

#### **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 account. 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.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 1 Principal accounting policies (continued)

Impairment reviews are carried out in accordance with section 14.6 of 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

#### **Disposals of housing properties**

Proceeds from sales are shown net of discounts given under the provisions of the right to buy and the right to acquire. The cost of properties sold is written off to the statement of comprehensive income and an adjustment is made to write back depreciation charged in prior years.

Under the terms of the original transfer agreement, between Stratford on Avon District Council and South Warwickshire Housing Association (now Orbit Heart of England) proceeds from right to buy sales within those originally transferred properties are shared with Stratford on Avon District Council. The share payable to the Council is treated as a cost of sale. Proceeds from other sales are retained by Orbit Heart of England.

#### **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.

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

#### **Value added tax**

The Association is party to a Group registration for VAT. All amounts disclosed in the financial statements are inclusive of VAT where appropriate.

#### **Taxation**

The Association has adopted Charitable Rules and it is therefore believed there will be no liability to taxation.

#### **Loan finance issue costs**

These are written off over the life of the related loan. Loans are stated in the statement of financial position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off.

#### **Loan interest costs**

The full costs of deferred interest rate and indexation loans are shown in the statement of comprehensive income.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 1 Principal Accounting Policies (continued)

#### Property managed by agents

Where the 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.

#### Investments

These are carried at the lower of cost and net realisable value.

#### Supporting people income and costs

Supporting People charges are levied as a separate charge and not as part of rent. The income and related costs are therefore shown within other social housing activities.

#### Service charge sinking funds

Service charge sinking funds are dealt with as creditors.

#### Liquid resources

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

#### 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.

#### Deferred income

Revenue received for a specific activity which is to be delivered in the following financial year and rent income receivable for the following year is deferred and shown as deferred income.

#### Accrued income

Where goods or services are provided but not yet invoiced, that income is accrued for and shown as accrued income.

#### Provisions

Provisions are made for liabilities, the timing and amount of which is uncertain. The amounts and timing of cash flows relating to these liabilities are based on management estimates.

#### Statement of Cash Flows

The Association has taken advantage of the exemptions available in FRS102 in preparing these financial statements, and has not prepared, per the requirements of Section 7, a Statement of Cash Flows. This information is included in the consolidated financial statements of Orbit Group Limited as at 31 March 2019 as published on the Orbit website [www.orbit.org.uk](http://www.orbit.org.uk).

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

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

2019

	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
<b>Social housing lettings</b>	<b>92,656</b>	<b>(59,215)</b>	<b>33,441</b>
<b>Other social housing activities</b>			
Services to group members	280	(1,192)	(912)
Home ownership services	628	(1,353)	(725)
Charges for support services	-	(1,005)	(1,005)
Other	950	(3,159)	(2,209)
	<b>1,858</b>	<b>(6,709)</b>	<b>(4,851)</b>
	<b>94,514</b>	<b>(65,924)</b>	<b>28,590</b>
Non-social housing activities	802	(690)	112
	<b>95,316</b>	<b>(66,614)</b>	<b>28,702</b>
Surplus on sale of housing properties (note 7)			17,151
Total			<b>45,853</b>

2018

	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
<b>Social housing lettings</b>	<b>90,075</b>	<b>(59,071)</b>	<b>31,004</b>
<b>Other social housing activities</b>			
Services to group members	292	(861)	(569)
Home ownership services	537	(903)	(366)
Charges for support services	25	(748)	(723)
Impairment of non housing properties	-	-	-
Other	857	(4,198)	(3,341)
	<b>1,711</b>	<b>(6,710)</b>	<b>(4,999)</b>
	<b>91,786</b>	<b>(65,781)</b>	<b>26,005</b>
Non-social housing activities	241	(464)	(223)
	<b>92,027</b>	<b>(66,245)</b>	<b>25,782</b>
Surplus on sale of housing properties (note 7)			11,206
Total			<b>36,988</b>

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 3. Income and expenditure from social housing lettings

	General needs housing £000	Supported housing and housing for older people £000	2019 £000	2018 £000
Rent receivable net of identifiable service charges and voids	74,742	7,162	<b>81,904</b>	81,240
Service charge Income	4,134	3,561	<b>7,695</b>	5,765
Amortisation of social housing and other capital grants	2,575	482	<b>3,057</b>	3,070
<b>Turnover from social housing lettings</b>	<b>81,451</b>	<b>11,205</b>	<b>92,656</b>	<b>90,075</b>
<b>Expenditure</b>				
Management	(6,875)	(2,676)	<b>(9,551)</b>	(12,268)
Service charge costs	(4,900)	(3,971)	<b>(8,871)</b>	(6,633)
Routine maintenance	(13,866)	(1,190)	<b>(15,056)</b>	(13,330)
Planned maintenance	(7,972)	(1,249)	<b>(9,221)</b>	(12,045)
Bad debts	(903)	(14)	<b>(917)</b>	(1,089)
Depreciation of housing properties	(12,778)	(1,510)	<b>(14,288)</b>	(13,545)
Other costs	(1,180)	(131)	<b>(1,311)</b>	(161)
<b>Operating costs on social housing lettings</b>	<b>(48,474)</b>	<b>(10,741)</b>	<b>(59,215)</b>	<b>(59,071)</b>
<b>Operating surplus on social housing lettings</b>	<b>32,977</b>	<b>464</b>	<b>33,441</b>	<b>31,004</b>
Void losses	(1,667)	(473)	<b>(2,140)</b>	(1,300)

Depreciation on housing properties includes £385,000 written off due to components being replaced earlier than the expected life of those components (2018: £446,000).

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 4. Staff costs

Members of staff that work for Orbit Heart of England are contractually employed by either Orbit Heart of England or Orbit Group Limited. These financial statements show the emoluments of persons directly employed by the Association. Emoluments of other senior executives (including the managing executive director) and staff are disclosed in Orbit Group Limited financial statements.

The average monthly number of persons employed during the year was:

	2019 Number	2018 Number
<b>Average number employed</b>		
Office staff	7	10
Scheme staff	4	4
	<b>11</b>	<b>14</b>
Full-time	8	11
Part-time	3	3
	<b>11</b>	<b>14</b>

The number of employees reduced during 2018-19 in line with Orbit Heart of England's aim that all employees will be employed by Orbit Group Limited.

	2019 Number	2018 Number
<b>Full-time equivalents *</b>		
Office staff	7	10
Scheme staff	3	3
	<b>10</b>	<b>13</b>

\*A full time equivalent would be 35 hours per week

	2019 £000	2018 £000
<b>Staff costs for the above</b>		
Wages and salaries	302	449
Social security costs	29	39
Other pension costs	27	37
	<b>358</b>	<b>525</b>

#### Senior staff emoluments

The full time equivalent number of staff whose remuneration in the year was in excess of £60,000 was nil.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 5. Operating surplus

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Operating surplus is arrived at after charging/(crediting)</b>		
<b>Housing properties:</b>		
- Depreciation charge	<b>14,288</b>	13,545
- Amortisation of social housing grant	<b>(3,057)</b>	(3,070)
<b>Other fixed assets:</b>		
- Depreciation of other tangible fixed assets	<b>178</b>	198
- Impairment	-	-
- Gain/(loss) on sale of fixed assets	<b>246</b>	(71)
<b>Operating lease rentals</b>		
- Land and buildings	<b>84</b>	164
- Office equipment and computers	<b>35</b>	80
- Vehicles	<b>47</b>	43
- White goods	<b>37</b>	15
<b>Auditor's remuneration:</b>		
- In their capacity as auditors	<b>33</b>	24
- In respect of other services	-	2
Total audit services	<b>33</b>	26

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 6. Directors emoluments

The directors of the Association are its board members. Certain of the Board Members are tenants/leaseholders of the Association or the Group. Their tenancies/leases are on normal commercial terms and the members cannot use their position to their advantage. Payments made to Board Members are shown below. Payments made to the Chair of Heart of England Housing Association Limited in her role as an Orbit Board Member are disclosed in the financial statements of Orbit Group Limited. No compensation was paid to directors for loss of office (2018: £nil).

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

	2019	2018
	£000	£000
K Bolister	2	2
J Hopes	-	1
J Brennan	3	-
G Richardson	5	5
D Butler	1	-
W Yardly	-	2
S Margrave	4	5
<b>Total</b>	<b>15</b>	<b>15</b>

Expenses paid during the year to Board Members amounted to £6,000 (2018: £17,000).

	2019	2018
	£000	£000
Travel costs	1	3
Meeting costs	5	14
	<b>6</b>	<b>17</b>



# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 7. Surplus on sale of fixed assets – housing properties

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Sale of housing properties</b>		
Disposal proceeds	<b>23,761</b>	16,703
Carrying value of assets	<b>(7,629)</b>	(4,875)
Grant recycled	<b>2,130</b>	1,282
RTB clawback	<b>(814)</b>	(1,909)
Grant abated	<b>(297)</b>	5
<b>Surplus on sale of housing properties</b>	<b>17,151</b>	11,206

Right to buy claw back relates to arrangements between Stratford-on-Avon District Council and Orbit Heart of England, whereby the proceeds from sales of the original housing properties and garages made under the preserved right to buy legislation are shared. The method of sharing is set out in a pre-agreed formula. There were 12 property sales and 56 garage sales under this agreement in the year ended 31 March 2019 (2018:108 sales).

### 8. Interest receivable and other income

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from unlisted investments	<b>14</b>	5

### 9. Interest payable and similar charges

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Loans and bank overdrafts	<b>21,840</b>	23,307
Interest payable capitalised on housing properties under construction	<b>(3,264)</b>	(4,454)
Deferred income credit	<b>(175)</b>	(282)
<b>Total</b>	<b>18,401</b>	18,571

### 10. Tax on surplus on ordinary activities

The Association was accepted as a charity for tax purposes by HMRC with effect from 1 April 2008. No taxation is anticipated in the year (2018: £nil). The Board is not aware of any circumstances which will affect the future taxation status of the Association.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 11. Housing properties at cost

Cost	Housing properties for letting		Supported housing	Low cost home ownership	Non-social housing	Total £000
	Complete £000	In development £000	Complete £000	Complete £000	Complete £000	
At 1 April 2018	887,894	95,958	37,438	2,351	1,318	1,024,959
Additions	12,474	77,727	1,272	-	-	91,473
Transfer on completion	51,248	(51,248)	-	-	-	-
Transfer to other group members	3,813	(8,371)	-	-	-	(4,558)
Disposals	(6,559)	-	(659)	-	-	(7,218)
<b>At 31 March 2019</b>	<b>948,870</b>	<b>114,066</b>	<b>38,051</b>	<b>2,351</b>	<b>1,318</b>	<b>1,104,656</b>
<b>Less accumulated depreciation</b>						
At 1 April 2018	(111,677)	-	(9,523)	(109)	(178)	(121,487)
Eliminated on disposals	2,410	-	189	-	-	2,599
Depreciation	(12,786)	-	(1,084)	(12)	(20)	(13,902)
<b>At 31 March 2019</b>	<b>(122,053)</b>	<b>-</b>	<b>(10,418)</b>	<b>(121)</b>	<b>(198)</b>	<b>(132,790)</b>
<b>Less: Provisions for impairment</b>						
At 1 April 2018	(465)	-	-	-	-	(465)
<b>At 31 March 2019</b>	<b>(465)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(465)</b>
<b>Net book amount</b>						
<b>At 31 March 2019</b>	<b>826,352</b>	<b>114,066</b>	<b>27,633</b>	<b>2,230</b>	<b>1,120</b>	<b>971,401</b>
At 31 March 2018	775,752	95,958	27,915	2,242	1,140	903,007

Additions to properties during the year include capitalised interest and finance costs of £3.2 million (2018: £4.4 million restated) and development administration costs/project management fees of £1.1 million (2018: £1.8 million).

### The net book value of housing and other properties comprises:

	2019 £000	2018 £000
Freehold land and buildings	971,413	901,627
Long leasehold land and buildings	1,895	2,024
Short leasehold land and buildings	-	2
	<b>973,308</b>	<b>903,653</b>

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 12. Investment properties non-social housing properties held for letting

	2019 £000	2018 £000
At 1 April 2018	14,640	-
Transfer from housing properties WIP	337	6,695
Additions	2	3,697
Increase in value	21	4,248
<b>At 31 March 2019</b>	<b>15,000</b>	<b>14,640</b>

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:

### 13. Other fixed assets

	Freehold offices £000	Leasehold offices £000	Commercial premises £000	Furniture, fixtures & equipment £000	Total £000
<b>Cost</b>					
At 1 April 2018	17	3,066	402	2,222	5,707
Adjustment to opening balance (reclassification)	-	-	-	10	10
Additions	-	-	-	-	-
Disposal	-	-	-	-	-
Write off	-	(18)	-	(82)	(100)
<b>At 31 March 2019</b>	<b>17</b>	<b>3,048</b>	<b>402</b>	<b>2,150</b>	<b>5,617</b>
<b>Less: accumulated depreciation</b>					
At 1 April 2018	(17)	(1,660)	(160)	(2,066)	(3,903)
Adjustment to opening balance (reclassification)	-	-	-	(10)	(10)
Charge for year	-	(99)	(13)	(66)	(178)
Write off	-	18	-	82	100
<b>At 31 March 2019</b>	<b>(17)</b>	<b>(1,741)</b>	<b>(173)</b>	<b>(2,060)</b>	<b>(3,991)</b>
<b>Less impairment</b>					
At 1 April 2018	-	(1,002)	-	-	(1,002)
<b>At 31 March 2019</b>	<b>-</b>	<b>(1,002)</b>	<b>-</b>	<b>-</b>	<b>(1,002)</b>
<b>Net book amount</b>					
<b>At 31 March 2019</b>	<b>-</b>	<b>305</b>	<b>229</b>	<b>90</b>	<b>624</b>
At 31 March 2018	-	404	242	156	802

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 14. Fixed asset investments

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Monies deposited for Affordable Housing Finance Plc	<b>2,513</b>	1,433
	<b>2,513</b>	1,433

In July 2016, Orbit Heart of England raised a £25 million fixed rate bond and in December 2016 a further £25 million fixed rate EIB loan both with Affordable Housing Finance Plc via The Housing Finance Corporation. It is a condition of the funding that the borrower shall enter into a Liquidity Reserve Fund Trust deed with the Liquidity Fund Trustee (AHF). An amount equal to twelve months interest be held with AHF in a Liquidity Reserve Fund, which in this case amounts to £1,192,500. The AHF Bond is secured by a first fixed charge on properties, however following property sales in the year £1,314,000 is held in a cash security deposit account to cover the amount below the required security threshold.

### 15. Debtors

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Due Within one year:</b>		
Rental debtors	<b>4,314</b>	3,798
Less: provision for doubtful debts	<b>(1,639)</b>	(1,269)
	<b>2,675</b>	2,529
Prepayments and accrued Income	<b>876</b>	557
Amounts due from Group undertakings	<b>36,175</b>	39,176
SHG receivable	-	4,065
Other debtors	<b>1,915</b>	549
Provision for bad debts	<b>(85)</b>	(69)
	<b>41,556</b>	46,807
<b>Due after more than one year:</b>		
Other debtors	<b>512</b>	839

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 16. Creditors: amounts falling due within one year

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Housing loans Inter-company (Note 21)	7,916	13,400
Amounts due to Group undertakings	46,754	45,987
Other creditors	3,645	2,435
Grants received in advance	2,091	956
Accruals and deferred income	6,049	7,292
Rents received in advance	2,362	2,179
Disposals proceeds and recycled capital grant fund (note 20)	1,223	1,321
Deferred capital grant (note 18)	3,057	3,070
<b>Total</b>	<b>73,097</b>	<b>76,640</b>

### 17. Creditors: amounts falling due after more than one year

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Housing loans (net of loan arrangement fees) (note 21)	49,525	49,495
Loans inter-company (note 21)	546,779	488,295
Deferred capital grant (note 18)	233,940	237,495
Leaseholder maintenance provision	4,185	4,303
Disposal proceeds and recycled capital grant funds (note 20)	3,440	2,155
Loan premium Affordable Homes Plc	4,235	4,410
Other creditors	731	708
<b>Total</b>	<b>842,835</b>	<b>786,861</b>

Housing loans shown above are net of £475,000 (2018: £505,000) loan arrangement fees carried forward.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 18. Deferred capital grant

	2019 £000	2018 £000
At 1 April 2018	240,565	233,101
Grant received in the year	828	7,451
Released to income in the year	(3,057)	(3,070)
Elimination on disposal	364	250
Transfer to/ (from) RCGF	(1,141)	1,807
Transfer from other group members	(562)	1,026
<b>At 31 March 2019</b>	<b>236,997</b>	<b>240,565</b>
Amounts to be released within 1 year	3,057	3,070
Amounts to be released in more than 1 year	233,940	237,495
<b>At 31 March 2019</b>	<b>236,997</b>	<b>240,565</b>

### 19. Provisions for liabilities and charges

	At beginning of the year £000	Release of provision during the year £000	At end of year £000
Stratford Sound Insulation	576	(576)	-
Office Dilapidations	145	(82)	63
	721	(658)	63

#### Analysed as

Amounts to be released in less than 1 year	63	63
	63	63

The Stratford sound insulation provision relates to major works costs associated with a dispute in connection with properties transferred to the Group in 1996, which was settled in 2014. The provision has been fully utilised.

# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 20. Disposal proceeds and recycled capital grant funds

	RCGF £000	DPF £000	Total £000
At 1 April 2018	2,487	989	3,476
Grants recycled	2,130	-	2,130
Other	(375)	(593)	(968)
Interest accrued	22	3	25
<b>At 31 March 2019</b>	<b>4,264</b>	<b>399</b>	<b>4,663</b>

### Amount due for repayment to Homes England

	RCGF £000	DPF £000	Total £000
Within one year	824	399	1,223
After more than one year	3,440	-	3,440
<b>At 31 March 2019</b>	<b>4,264</b>	<b>399</b>	<b>4,663</b>

### 21. Housing loans and finance lease obligations

#### Note (a)

	2019 £000	2018 £000
<b>Due within one year</b>		
Orbit Treasury Limited	7,916	13,400
	<b>7,916</b>	13,400
<b>Due after more than one year</b>		
Orbit Treasury Limited	229,573	388,583
Orbit Capital plc	317,206	99,712
Affordable Housing Finance Plc	50,000	50,000
	<b>596,779</b>	538,295
	<b>604,695</b>	551,695

On 28 September 2007 the majority of the loans of the Orbit Group were re-routed through a separate treasury vehicle, Orbit Treasury Limited (OTL). OTL is a trading company limited by shares and is a subsidiary of Orbit Group Limited. All members of the Orbit Group entered into a fully cross-collateralised structure at that time. OTL borrows monies on behalf of Orbit and on-lends to individual operating associations as required. The loan is repayable half yearly in instalments.

Orbit Capital plc (OC) is a public limited company incorporated on 22 January. OC is a wholly owned subsidiary of Orbit Group and was established for the purpose of issuing publicly listed bonds. OC issued its first bond on 24 March 2015 raising a £250 million 30 year sterling bond (maturity date 24 March 2045) priced at 3.50%. The company arranged its second public bond issue on 7 June 2018 raising £450 million 30 year sterling bond (maturity date 14 June 2048) priced at 3.375% which was used to restructure the groups existing debt portfolio and provide long term funding to support the group strategy.

## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Notes to the Financial Statements

#### For the year ended 31 March 2019

The three operating associations entered into guarantees requiring sufficient property assets to be held as security for the bond and guaranteeing future interest payments due on the bond. The proceeds of the bond were loaned by OC to the three associations and were used by the associations to repay in part loans previously received from Orbit Treasury Limited. Interest on the loan from OC is due half yearly. The loan is repayable on 24 March 2045 (£250m) and 14 June 2048 (£450m).

#### 21 Housing loans and finance lease obligations (continued)

On joining Orbit in April 2008, existing Heart of England Group loans were transferred into OTL and Orbit Heart of England entered into the cross-collateralised structure. The loan from OTL is secured by fixed charges on individual properties.

On the 28 July 2016 the company raised a £25 million fixed rate bond with Affordable Housing Finance Plc (AHF) via The Housing Finance Corporation. The fixed rate bond issued is repayable on 30 July 2043, with interest payable at a fixed rate of 2.893%. The fixed rate bond issued was paid at a premium resulting in an effective interest rate of 1.989%. In December 2016 a further £25 million fixed rate EIB loan was raised with Affordable Housing Finance Plc via The Housing Finance Corporation. The EIB loan is repayable by instalments starting in July 2027 and matures in July 2046 with interest payable at a fixed rate of 1.877%.

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
In one year or less, on demand	<b>7,916</b>	13,400
<b>Repayable by instalments:</b>		
- more than one year but not more than two years	<b>7,916</b>	13,400
- In more than two years but not more than five years	<b>23,749</b>	40,201
- In more than 5 years	<b>540,114</b>	484,694
	<b>571,779</b>	538,295
<b>Repayable other than by instalments:</b>		
- In one year or less	<b>25,000</b>	-
<b>Total</b>	<b>604,695</b>	551,695



# Heart of England Housing Association Limited (trading as Orbit Heart of England)

## Notes to the Financial Statements

For the year ended 31 March 2019

### Note (b)

The interest rate profile at 31 March 2019 was:

	<b>Total £000</b>	<b>Variable rate £000</b>	<b>Fixed rate £000</b>	<b>Weighted average rate %</b>	<b>Weighted average term of fixing in years</b>
Instalment loans	<b>579,695</b>	237,489	342,206	<b>6.95%</b>	<b>24</b>
Non-instalment loans	<b>25,000</b>	-	25,000	<b>2.89%</b>	<b>25</b>
	<b>604,695</b>	237,489	367,206	<b>6.78%</b>	<b>24</b>

### 22. Called up share capital

	<b>2019 £</b>	<b>2018 £</b>
<b>Issued and fully paid shares of £1 each</b>		
At 1 April 2018	<b>8</b>	3
Issued	-	5
Surrendered	-	-
<b>At 31 March 2019</b>	<b>8</b>	<b>8</b>

The issued and surrendered shares shown above reflect changes in membership of the Board.

The share capital of Heart of England Housing Association Limited is raised by the issue of shares with a nominal value of £1 each. Because of the Association's Co-operative and Community Benefit Society status, the maximum shareholding permitted per member is 1 share. There is no authorised share capital and the Orbit Living Board may issue as many £1 shares as it wishes. However, the Board operate a restricted shareholding policy with all shares currently held by serving Board members and the parent body. 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 meeting of Heart of England Housing Association Limited.

### 23. Capital commitments

	<b>2019 £000</b>	<b>2018 £000</b>
Capital expenditure which has been contracted for but has not been provided for in the financial statements	<b>49,220</b>	73,088
Capital expenditure which has been authorised under authority from the Orbit Board but has yet to be contracted for	<b>50,103</b>	43,446
	<b>99,323</b>	116,534

## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Notes to the Financial Statements

#### For the year ended 31 March 2019

The Association expects these commitments to be financed with:

	2019	2018
	£000	£000
Social housing grant	77,630	73,500
Committed loan facilities (Orbit Treasury Limited)	16,219	32,220
Proceeds from the sale of properties	5,474	10,814
	<b>99,323</b>	116,534

#### 24. Contingent liabilities

Stock acquisitions previously undertaken include original government grant funding of £14.9 million which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Orbit Heart of England is responsible for the recycling of the grant in the event of the housing properties being disposed. As at 31 March 2019, there were £14.4 million contingent liabilities within the Association (2018: £14.4 million).

#### 25. Financial commitments

##### Operating leases

At 31 March 2019 the Association was committed to making the following minimum future payments in respect of operating leases other than land and buildings:

	2019	2018
	£000	£000
<b>Leases which expire</b>		
Within 1 year	99	153
Within 2 - 5 years	166	164
After 5 years	4	-
<b>Total</b>	<b>269</b>	317

#### 26. Ultimate parent entity

The immediate parent undertaking and ultimate parent entity and controlling entity of Heart of England Housing Association Limited is Orbit Group Limited, a Co-operative and Community Benefit Society incorporated in the United Kingdom.

Orbit Group Limited is the parent undertaking of the only group of undertakings to consolidate these financial statements at 31 March 2019.

A list of the members of Orbit Group ("Orbit") is contained within the consolidated financial statements of Orbit Group Limited.

The results of Heart of England Housing Association Limited are included in the Group financial statements. The consolidated financial statements of Orbit Group Limited are published on the Orbit website [www.orbit.org.uk](http://www.orbit.org.uk).

## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Notes to the Financial Statements

For the year ended 31 March 2019

#### 27. Property portfolio

	2019	2018 restated
	No.	No.
General needs	13,011	12,988
Affordable rent	1,556	1,376
Intermediate rent	4	9
Low cost home ownership	95	88
Supported housing	1,904	1,889
<b>Total owned by Orbit Heart of England</b>	<b>16,570</b>	<b>16,350</b>
Leasehold	464	421
Managed on behalf of others	373	349
<b>Leasehold and other managed</b>	<b>837</b>	<b>770</b>
<b>Total social housing units</b>	<b>17,407</b>	<b>17,120</b>
Private retirement schemes	458	458
Market rent	92	93
Commercial units	14	20
<b>Total non-social housing units</b>	<b>564</b>	<b>571</b>
<b>Total units</b>	<b>17,971</b>	<b>17,691</b>

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.

	2019	2018
	No.	No.
Stock in development at 31 March		
General needs	462	194

#### 28. 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 Board member is employed by We Are Digital Ltd, which is contracted to deliver digital training to Orbit residents in their homes or at Orbit Offices. During the year Orbit made payments of £263,000 (2018 £297,000) to this supplier. Likewise the Heart of England Board includes a member who is also a research student at Coventry University. During the year Orbit made payments of £4,000 to the University (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.

Heart of England Housing Association is a subsidiary of Orbit Group Limited (the parent). Shares are held by serving Board members and the parent. Under the Associations rules the parent has the right at any time to appoint or remove any or all of the Members of the Board. On this basis the Association considers itself to be wholly owned and has

## Heart of England Housing Association Limited (trading as Orbit Heart of England)

### Notes to the Financial Statements

#### For the year ended 31 March 2019

chosen to take advantage of the exemption not to disclose transactions with group entities as defined by Section 33.1A FRS 102.

Further detail of non-consolidated management arrangements and transactions with non Homes England regulated group entities are shown in note 29.

#### 29. 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 property. The financial transactions affecting those managing agents are not consolidated where the risk rests with these agents.

During the year the Association has transacted with three fellow group subsidiaries not regulated by Homes England, 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 £43.1 million to Orbit Homes (2020) Ltd (2018: £44.5 million) for the purchase of housing property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £2.8 million (2018: £3.1 million).

Orbit Treasury Ltd provides a funding on-lending service to the Group. During the year the Association paid interest costs totalling £21.7 million (2018: £15.8 million) and fees of £2.3 million (2018: £1.4 million) and has an outstanding debtor balance with Orbit Treasury Ltd of £4.2 million (2018: £0.2 million). The allocation of these costs is based upon the level of debt required and secured by the housing property held in the Association.

Orbit Capital plc (OC) is a public limited company established for the purpose of issuing publicly listed bonds and provides a funding on-lending service to the group. During the year the Association paid interest costs totalling £9.7 million (2018: £3.5 million) and fees of £0.4 million (2018: £0.1 million). The allocation of these costs is based upon the level of debt required and secured by the housing property held in the Association.