

Orbit Housing Association Limited

Financial statements

For the year ended 31 March 2023

Co-operative and Community Benefit Society Number 27802R

Regulator of Social Housing Number L4060

Orbit Housing Association Limited

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The Board, Executive Officers and Advisors

Board Members

Name	Position	Appointed	Resigned / Retired
Stephen Howlett	Chair Independent Member	1 November 2018 1 April 2019 (Chair)	
David Butler	Independent Member	1 August 2018	
John Brennan	Resident Member	28 August 2018	
Helen Gillett	Independent Member	1 February 2019	
David Glover	Resident Member	25 September 2019	
Symon Tandooran-Sentain	Independent Member	9 September 2015	8 September 2022
Jake Boomhauer	Resident Member	26 July 2016	
Tonia Mihill	Resident Member	1 November 2017	
Manpreet Dillon	Independent Member	8 October 2021	
Guy Stenson	Independent Member	1 August 2022	
Mike Turner	Independent Member	1 August 2022	

Senior Management Team

Director	Role
Paul Richards	Group Director of Customer and Communities
Simon Cosson	Finance Director Customer and Communities
Anthony Clark	Director of Property Operations
Francis Burrows	Director of Support and Service Development
Louise Palese	Director of Customer Operations
Dan Churton	Commercial and Transformation Director
Ted Pearce	Director Strategic Asset Management
Charley Gibbons	Director of Customer Experience

Advisors

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

Orbit Housing Association Limited Report of the Board

Orbit Housing Association Limited was created from the merger of Heart of England Housing Association Limited and Orbit South Housing Association Limited on 31 March 2021. The newly merged entity was renamed Orbit Housing Association. It 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. More detail about the activities of the Group, including our value for money statement, is included in the Orbit Group Annual Report and Financial Statements at www.orbit.org.uk.

Financial Performance

Orbit Housing Association generated operating profits before property sales of £75.0 million (2022: £68.9 million). Operating margin excluding property sales has increased marginally to 31.0% (2022: 30.8%) largely due to increased rental income. We have continued to invest in property safety, bringing in skills to ensure that we can continue to meet increased levels of regulation under the Building Safety Act and to ensure we deliver value for money.

Turnover has increased by £18.2 million to £242 million (2022: £223.8 million). Net rental income increased by £9.7 million as a result of growth in our property portfolio and due to annual rental increases.

Overall operating costs are £166.7 million an increase of £12.1 million on the prior year (2022: £154.6 million) arising from higher levels of inflation, salary pressures and investments in property safety to ensure we meet the requirements of the Building Safety Act. We continue to invest in services to our customers to support them in ensuring they have the right skills to manage their budgets and tenancies, investment in our procurement team to continue to drive value for money, investment in on-line services through a new website and customer portal which give more control and flexibility to customers. We have also improved our lettings process helping to ensure our properties are relet quickly. We have incurred depreciation charges of £41 million, an increase of £3.8 million, (2022: £37.2 million) from new properties coming into management and capital reinvestment in our properties.

Interest payable on loans used to fund new homes has increased by £4.4 million to £48.5 million (2022: £44.1 million).

Total comprehensive income was £35.7 million (2022: £53.6 million), down by £17.9 million during 2023. The decrease was primarily driven by the reduction in surplus on sale of housing properties which decreased by £21.6 million (from £29.1 million in 2022 to £7.5 million in 2023).

Tangible fixed assets rose by £99.6 million (from £2,411.3 million in 2022 to £2,510.9 million in 2023) with an increase of 669 properties to 39,232 properties owned and managed. This reflects new properties coming into development and disposals through the stock densification strategy and investment in our existing customers’ homes. Total net assets rose by £35.7 million to £470.1 million (2022: £434.4 million).

We will continue to invest profits earned this year into repairing and improving our existing properties, in providing better services to customers in our communities and neighbourhoods and in the development of new homes.

Strategy

In January 2021, we launched our new corporate strategy, Orbit 2025, which sets out what we want to achieve to realise our vision over the next five years. Created in collaboration with and input from colleagues and customers, our corporate strategy clearly outlines our plans to increase our investment in the communities where we work, the homes that we build and manage, the services we offer and the careers of our people. All of which will be delivered in full recognition of the changing legislative landscape whilst ensuring we reduce our impact on the environment and continue our focus on safety and quality standards.

Within our strategy we have set out to:

- Deliver our best customer experience
- Provide significant further investment into our homes and communities
- Maintain our position as a leading UK developer of affordable homes
- Respond to the needs of a diverse and changing population
- Attract, retain and develop the very best people
- Reduce our impact on the environment

Our customer is at the heart of all we do

Over the last 12 months we have continued to embed and deliver on our Customer Promise, to build a customer-centric culture and ensure that we focus on what our customers need and value, rather than simply what we offer.

Continuing our digital customer experience

Ensuring we give customers the opportunity to engage with us via their preferred channels is an important principle of our communications approach. As part of this, there is an ongoing focus on making improvements to our digital channels. We have invested in new tools to give us a clearer understanding of the customer journey on our customer hub website.

Engaging with customers

We have continued to adopt the National Housing Federation's 'Together With Tenants' programme, to further strengthen our relationship with our customers and ensure we drive customer improvement. We have also founded our 'Customer Engagement Strategic Committee' to enhance our governance and ensure the voice of our customers is truly embedded in our decisions and actions going forward. To ensure we are capturing underrepresented voices, we have introduced a number of diversity groups such as LGBTQ+, disability and future voices.

A programme of change has been set in train around improving complaints handling, repairs and procurement which will address the serious maladministration finding raised by the Housing Ombudsman.

Complaints

We have continued to work with the Housing Ombudsman to strengthen our complaint handling process and welcomed the streamlined procedures it provided to customers in October 2022 via its new complaint handling code. Ahead of the code we:

- Appointed a designated complaints lead for our governing body
- Amended policies and procedures to ensure compliance with key code changes
- Introduced a new complaint handling system
- Improved root-cause insights to address service failure
- Introduced a customer satisfaction survey to drive continuous improvement
- Worked with customers to complete a self-assessment of compliance against the new code

Supporting our customers day to day

We're committed to being responsive to the challenges that customers are facing and offering the right help at the right time to support their tenancies and personal wellbeing and launched our new Thriving Communities Strategy – Better Me, Better Place, Better Home. Led by new thematic specialists they ensure Orbit's approaches are sector leading and deliver impact, whilst assuring quality and compliance. They're also exploring opportunities to extend provision through partnerships with external providers and funding. Our new Regional Place team structure ensures we engage with customers at a local level within their communities ensuring we increase access to Better Days support and involve customers directly in investment plans for their local area.

Supporting customers through the cost-of-living crisis

In Autumn 2022, we also introduced a raft of new measures to help customers manage their finances, maximise their income and reduce the pressure of cost-of-living increases. We developed a new cost-of-living support and education hub on Orbit's customer website and increased capacity in our existing mental health support service, Breathing Space, which is commissioned with Mind and Aspire4u.

In November, we launched an Energy Advice Service in partnership with National Energy Action (NEA) and introduced our new Welfare Advice Service which is provided by Citizens Advice.

Sustaining tenancies

We offer life skills coaching and employment support and by working with our customers on all areas of their life, we embed the importance of maintaining a home at the heart of all conversations. The Tenancy Sustainment Triage Team work with customers to identify financial, wellbeing, digital and employment concerns.

New Safeguarding Team

We've expanded our Safeguarding Team within Tenancy Management to focus on safeguarding, signposting, and encouraging positive mental health, enabling our customers to feel safe and secure in their homes. We are accredited by The Leaders in Safeguarding experts and Domestic Abuse Housing Award, to ensure we deliver safe and effective responses to domestic abuse.

Launching lifetime tenancies

We want our customers to feel safe and secure in their home so that they can put down roots in their local area, become a part of the community and be able to plan for the future. For these reasons, we have made a commitment to move away from fixed term tenancies and offer residents lifetime tenancies.

Supporting independence in later life

We're embarking on a new and ambitious 10-year strategy to transform our independent living services including investing £4 million in the refurbishment of 50 existing independent living schemes – starting with a pilot scheme at Melville Court in Stratford where residents are helping to shape the new and improved look and feel of their communal living areas. We're also looking at new approaches that support the health and wellbeing of all older residents including general needs customers.

Supported Housing

Our Supported Housing team directly manage 350 homes, with the other 400 homes working with a range of specialist managing agents and support providers. The team has visited every customer to review their tenancies, see how they are getting on and better understand what else we can do for them. At the same time, they have also looked at the properties themselves, identifying homes that need improvements and ensuring that people are living in safe, warm, and well cared for homes.

Diversity and Inclusion -Tackling hate incidents

Our communities are no place for hate, and we are actively working to tackle hate incidents.

We have reviewed business processes and policies and updated the ways that we report and record hate incidents, to improve our data and understanding of what is happening, when and where, so we can proactively tackle issues and put prevention measures in place.

Quality Affordable Homes

We take pride in providing our customers with good quality, affordable homes in which they are proud to live.

Investing in our existing homes

We continue to invest in our homes and communities. Our capital delivery programme this year has been affected by the national labour and materials shortages, so we took the decision to pause certain programmes to avoid cost spikes and take the opportunity to reset our supply chain and introduce new management capability. This new approach focuses on a longer term three-to-five year delivery horizon, and more closely integrates building safety and decarbonisation work. As a result, we have delivered 94.97% of our revised programme, whilst ensuring we maintain both Decent Homes and EPC performance levels.

Progressing towards Decarbonisation

This year we completed work on a £3.6 million pilot decarbonisation project to upgrade the energy efficiency of 69 homes in and around Stratford-upon-Avon which had an EPC rating of D or below. The scheme was part of the government's Social Housing Decarbonisation Fund (SHDF) Demonstrator project and received £1.45 million in government funding, which was combined with a further £2.2 million investment from Orbit.

We have also begun work on a further £6m project to upgrade the Energy Performance of 136 properties across the West Midlands after securing funding from the SHDF Wave 1. Working in partnership with the West Midlands Combined Authority and Stratford-on-Avon District Council, we are utilising £1.4m of Wave 1 funding, along with our own further investment of £4.6m, to deliver warmer homes for tenants, reduce fuel bills and significantly lower carbon emissions. We have also procured funding from the Social Housing Decarbonisation Fund (SHDF) Wave 2.1, which will enable us to improve the energy performance of an additional 212 properties.

Estates Improvement Programme

Each year we look for ways in which we can further improve our estates for our customers. In 2022 we invested £400k in several improvement projects undertaken by our project management team including introducing new bin stores, new seating, the conversion of former bin stores into new storage facilities for customers, and accessible landscaping to aid those with mobility difficulties.

Contractor Partnership Governance Model

We outsource the operation and maintenance of our property portfolio. We are shifting to a Partnership-style model with our major partners, recognising their importance in our ability to serve our customers, and creating an environment to give them the best chance to succeed on our behalf.

In October 2022 we launched a new Commercial Change Board which was launched to further govern changes to existing or proposed supply chain relationships, remove local and ungoverned changes and further tighten contractual intent.

Our approach to damp, mould and condensation

We are fully committed to doing everything we can to provide our customers with high quality, safe, and sustainable homes. Over the last 18 months, we have taken a number of steps to improve our procedures around repairs and complaints. This included a specific focus on damp, mould and condensation, and has resulted in a complete overhaul of our policy and process, and a much stronger focus on analytical evaluation and evidence.

We now classify damp and mould as one of our big seven health and safety risks alongside gas, electrical, lift, asbestos, fire and water safety, and are tackling any reported case of damp or mould as an absolute priority. We have appointed a cross-functional Damp and Mould Task Force to ensure we address cases and issues raised quickly and as an utmost priority.

Tackling Empty Homes and Lettings

We have continued to focus on reducing the number of empty homes within our portfolio and further improve our processes with the centralising and specialising of our letting's teams. During the course of the year, we have reduced our number of empty homes from 674 to 474. We have also undertaken a voids intervention project, working across a number of services and taking on board feedback from customers.

Densification strategy

Over the past 12 months we have continued to make progress with our densification strategy to optimise our property portfolio and create operational economies of scale that will improve services for customers and further our work to ensure long-term, sustainable economic growth. This year we successfully completed the disposal of 59 units in Hammersmith & Fulham to Notting Hill Genesis and six units to South Kesteven Local Authority. These activities will support the delivery of more affordable homes in our key geographical areas.

Great Place to Work

Our people agenda is key to our success. We know that colleagues who are motivated in their work, feel valued, respected and are united in achieving our purpose and mission, leads to delighted customers.

Over the past 12 months we have worked to embed and drive change via our People Strategy which focuses on four key areas:

- Building individual and team capability
- Inspiring leadership
- Sharing in our pride and purpose in our ambition
- Building an organisation that is fit for the future

Inspirational Leadership

We embarked on a new Leadership Development Journey in 2022 to engage, inspire and enable leaders to drive consistently outstanding outcomes. We introduced a range of leadership development programmes to provide appropriate and relevant support for colleagues at different levels, to support their personal leadership growth as well as create the strength in leadership and development of high performing teams.

Developing our people

The Social Housing White Paper calls for increased professionalism throughout the sector, a call we at Orbit have fully embraced. We are focused on providing all colleagues with the training, structured learning and right tools for the job to enable great customer service and help them unlock career opportunities. We offer group-wide training for all employees, providing them with the opportunity to develop their careers.

Importance of inclusivity

We are proud to have an open and inclusive workplace culture, in which the differences that all our people bring to Orbit are valued, and equality of opportunity is advanced for all. By embracing this in our people, we are able to deliver accessible services and equitable outcomes for the diverse communities we serve.

RESPONSIBLE BUSINESS

Our sustainability strategy is embedded within our overarching corporate strategy and central to achieving our vision: to lead in building thriving communities. Over the last few years, we have been on a sustainability journey, from being an early adopter of the Sustainability Reporting Standard (SRS) for social housing and the publishing of our first Environmental Social Governance report, to the publishing of our 'Orbit to Zero' net zero carbon roadmap, our new Thriving Communities Strategy, and reducing the carbon footprint of our operations by 33%.

This year we refreshed and strengthened our Sustainability Strategy to reflect the breadth of work we are delivering. We launched our [Sustainable Finance Framework](#) in February 2023 which demonstrates how borrowing will be used to make positive social and environmental sustainability impact in the short, medium and long term.

Our Planet

The environmental pillar of our Sustainability Strategy is Orbit Earth. Under this programme, we have three priorities:

- Climate action to become net zero carbon
- Enhancement of outdoor spaces to improve the quality of natural resources including biodiversity, land, water and air
- Sustainable consumption to manage resources, materials and products responsibly

Key to achieving all our environmental ambitions is effective environmental stewardship and we are very proud to have achieved ISO14001:2015 certification for our environmental management system by the British Standards Institute (BSI).

Climate action to become net zero carbon

Against our target to become Net Zero Carbon in our own operations (Scope 1 and 2) by 2030, we have reduced the carbon footprint of our operations by 38.5% since we established a baseline in 2018, and by 14% in the past year.

We have also appointed an Energy and Environment Lead to support our customers with the ongoing energy affordability crisis and to build momentum on delivery of our Net Zero Carbon commitments.

Enhancement of outdoor spaces to promote biodiversity

To support our commitment to enhance our outdoor spaces to improve the quality of natural resources, we have launched our Biodiversity approach. This approach aligns with the core target of the proposed framework of the UN Convention on Biology Diversity and with that of The Wildlife Trusts' vision.

We plan to enhance habitats across our estates to maximise the benefits for nature and residents. Improvements will include planting hedgerows, shrubs, and wildflowers; dedicating some outside areas to nature and, where space is limited, looking to create artificial habitats including bird boxes and bug hotels.

Sustainable consumption

By consuming more sustainably and maximising resource efficiencies, there are savings to be made both financially and environmentally and value to be gained in resilience and productivity. We are developing our Zero Waste approach, which we aim to launch in the new financial year. We have been collating and analysing data from our Site Waste Management Plans to form the benchmark for our zero-waste modelling, which will be key to our strategy and targets.

Compliance & Risk

We're proud of our strong culture of health and safety and the rigorous approach colleagues take to governance, risk and compliance. Our new Building Safety Strategy published last year, details our plan to keep our homes and customers living in high-risk buildings safe. Implementation is well underway and we are on track to meet the requirements of the new Building Safety Act by the due dates.

We remain the only national affordable housing provider to have achieved BS9997 British Standards in Fire risk management systems and were this year awarded a Merit for the second consecutive year for our commitment to customer and property safety by the British Safety Council in its globally recognised International Safety Awards. Orbit achieved a Gold Medal Award from the Royal Society for the Prevention of Accidents (RoSPA) for the fifth consecutive year in recognition of its ongoing commitment to health and safety excellence.

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 Annual Report and Financial Statements.

Code of Governance

We have adopted the National Housing Federation's (NHF) 2020 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 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 reflects our strong governance framework.

Subsequent events

There are no post balance sheet events.

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. More information about going concern is included in the going concern note on page 18.

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 Orbit Housing Association Limited Board



Stephen Howlett
Chair
23 August 2023

Internal control

The members of the Orbit Group have in place an internal control environment (ICE) framework, which combines assurance from a number of sources on a regular basis, which feed into the annual statement of internal controls. Orbit's standard assurance providers include the following:

- ✓ Policy environment
- ✓ Internal audit
- ✓ Health and safety
- ✓ Insurance
- ✓ Personal data management
- ✓ Procure to pay
- ✓ Risk Management
- ✓ Business resilience
- ✓ Compliance returns
- ✓ People Management

The outcome of the assurance review is as follows:

‘Based on the risk and assurance work undertaken 2022/23, 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 Executive Management, the Audit and Risk Assurance Committee and the board of Orbit Housing Association Limited.

The delivery of the assurance programme has identified two areas where improvements plans were put in place to strengthen controls. These being:
Management of customer complaints and
Procuring activities within the operations of the business.

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 association and of the income and expenditure of 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 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 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 2022. 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.

Annual general meeting

The annual general meeting will be held on 26 September 2023.

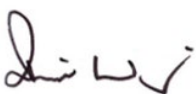
Registered office

Garden Court, Binley Business Park, Harry Weston Road, Binley, Coventry, CV3 2SU.

Independent auditor

KPMG LLP was appointed as the external auditor for the year ended 31 March 2022. A resolution to re- appoint the Group’s auditor will be proposed at the Annual General Meeting.

The report of the Board was approved on 23 August 2023 and signed on its behalf by:



Richard Wright

Secretary

Orbit Housing Association Limited

Independent Auditor's Report

Independent auditor's report to Orbit Housing Association Limited

Opinion

We have audited the financial statements of Orbit Housing Association Limited ("the association") for the year ended 31 March 2023 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 2023 and of the income and expenditure of the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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.

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 their 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 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").

In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Orbit Housing Association Limited

Independent Auditor's Report

- Enquiring of management, directors and internal audit as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit and risk committee and remuneration committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the limited opportunity for management to manipulate revenue transactions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual and seldom used accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Association's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Association is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), distributable profits legislation, taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: GDPR, Health and Safety Legislation and Employment and Social Security Legislation, recognising the regulated nature of the Association's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Orbit Housing Association Limited Independent Auditor's Report

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Association's Board is responsible for the other information, which comprises the 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 its 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 explained more fully in their statement set out on page 10, 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

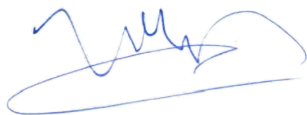
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

**Orbit Housing Association Limited
Independent Auditor's Report**

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 for our audit work, for this report, or for the opinions we have formed.



**Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

23 August 2023

Orbit Housing Association Limited
Statement of Comprehensive Income for the year ending 31 March 2023

	Note	2023 £m	2022 £m
Turnover	2	242.0	223.8
Cost of sales	2	(0.3)	(0.3)
Operating costs	2	(166.7)	(154.6)
Surplus on sale of housing properties	7	7.5	29.1
Operating surplus	5	82.5	98.0
Interest receivable	8	0.1	-
Interest payable	9	(48.5)	(44.1)
Other financing costs	9	(0.1)	(0.7)
Surplus before taxation		34.0	53.2
Taxation	10	-	-
Surplus for the year		34.0	53.2
Actuarial gain in respect of pension schemes	31	3.7	0.4
Implementation of asset ceiling		(2.0)	-
Total comprehensive income		35.7	53.6

All amounts derive from continuing operations.

The accompanying notes form part of these financial statements.

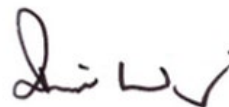
The financial statements on pages 15 to 41 were approved by the Board and signed on its behalf
by:



Stephen Howlett
Chair



Helen Gillett
Board Member



Richard Wright
Secretary

23 August 2023

Orbit Housing Association Limited
Statement of Changes in Reserves for the year ending 31 March 2023

	Income & Expenditure Reserve £m	Total Reserves £m
Balance as at 1 April 2021	380.8	380.8
Surplus for the year	53.2	53.2
Actuarial gain on pension liability	0.4	0.4
Balance at 31 March 2022	434.4	434.4
Balance as at 1 April 2022	434.4	434.4
Surplus for the year	34.0	34.0
Actuarial gain on pension liability	1.7	1.7
Balance at 31 March 2023	470.1	470.1

The accompanying notes form part of these financial statements.

The Income and expenditure reserve includes £25.4 million (2022: £25.4 million) in respect of the net proceeds from the Voluntary Right to Buy pilot that took place in 2020. These proceeds will be reinvested in new properties.

Orbit Housing Association Limited
Statement of Financial Position as at 31 March 2023

	Note	2023 £m	2022 £m
Fixed assets			
Tangible fixed assets	11 & 12	2,461.0	2,366.1
Fixed asset investments	13	5.5	2.7
Investment properties	14	44.4	42.5
		2,510.9	2,411.3
Current assets			
Properties for sale and stocks	15	1.9	0.8
Trade and other debtors (of which £5.9m > 1 year 2022: £126.1m)	16	50.7	149.1
Cash at bank and in hand		1.4	1.4
		54.0	151.3
Less: creditors: amounts falling due within one year	17	(118.0)	(125.0)
Net current (liabilities) / assets		(64.0)	26.3
Total assets less current liabilities		2,446.9	2,437.6
Creditors: amounts falling due after more than one year	18	(1,976.8)	(2,001.1)
Provisions for liabilities			
Other provisions	20	-	(0.4)
Pension liabilities	31	-	(1.7)
Total net assets		470.1	434.4
Reserves			
Income & expenditure reserve		470.1	434.4
Total reserves		470.1	434.4

The financial statements on pages 15 to 41 were approved by the Board and signed on its behalf by:

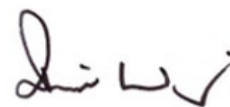


Stephen Howlett
Chair

23 August 2023



Helen Gillet
Board Member



Richard Wright
Secretary

1. Principal accounting policies

Legal status

Orbit 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.

On 31 March 2021 Heart of England Housing Association Limited, an Orbit Group subsidiary, transferred its engagements to Orbit South Housing Association Limited. Orbit South Housing Association Limited then changed its name to Orbit Housing Association 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 2018, Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. As a public benefit entity Orbit Housing Association Limited has applied all paragraphs of FRS102 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 Board, after reviewing the Association budgets for 2023/24 and the group's medium term financial position as detailed in the 30-year business plan, taking account of severe but plausible downsides, such as an economic downturn, political pressures or a perfect storm, is of the opinion that the Association has adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Significant Management Judgements

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:

Pension liabilities

In determining the valuation of the 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 Association 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 31.

This year's FRS102 report indicated a net asset position of £2 million. Management has applied an asset ceiling of an equal amount to reduce the FRS102 net asset to £nil since, in accordance with FRS102, management does not believe that the entity will recover this surplus.

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 change 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.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surplus.

Impairment reviews are carried out in accordance with Section 14.6 of the statement of recommended practice (SORP), with consideration of the following indicators of impairment:

Orbit Housing Association Limited

Notes to the Financial Statements

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

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of asset, liabilities, income and expenditure is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimates of the useful lives of depreciated assets at each reporting date based on its expected utility of assets including any components. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment, and changes to Decent Homes Standards which may require more frequent replacement of key components.

Grant amortisation

Grant received for the development of social housing, predominantly Social Housing Grant which is receivable from Homes England, is recognised in the statement of comprehensive income through amortisation over the weighted average estimated useful life of the property's structure and components.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (when active market quotes are not available) and non-financial assets including investment properties. This involves developing estimates and assumptions consistent with how market participants would price the instruments or assets, Management bases its assumption on observational data as far as possible, but this is not always available, in this case management uses the best information available. Estimated fair values may vary from actual prices.

Valuation of investment properties

Our market rented properties, Fordham House in Stratford-Upon-Avon and properties at St Anne's Quarter in Norwich are disclosed as investment properties and valued annually by external valuers. More detail is provided in note 14.

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, Orbit Group Limited 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.

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.

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 as a separate item after the operating surplus in the statement of comprehensive income. All other sales of fixed asset properties are dealt with in this latter way.

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 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.

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, doors & door entry systems	10 to 30 years
Boilers	15 years
PV panels	25 years
Roof	30 to 60 years
External wall insulation	36 years
Rewiring	30 years
Lifts	20 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.

Orbit Housing Association Limited
Notes to the Financial Statements

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.

Social housing and other grants (SHG)

Social Housing Grant 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.

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

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 SHG can be used for projects approved by the 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.

Where SHG is recycled the SHG is credited to a fund that appears as a creditor.

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, based upon properties owned at that date. These are disclosed in note 18 of the accounts 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 weighted average cost of capital. 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 fixed assets

Other fixed assets are stated at cost, less accumulated depreciation and impairment provision. Depreciation is charged on a straight-line basis over the following expected economic useful lives:

Freehold offices and commercial premises	2% - 4%
Leasehold offices	Over the life of the lease
Motor vehicles	25%

Orbit Housing Association Limited

Notes to the Financial Statements

Computer equipment	17% - 33%
Fixtures, fittings and other equipment	15% - 25%

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 and when incurred.

Pension costs

Orbit Housing Association Limited participated in one defined benefit local government pension scheme (LGPS) operated by Kent County Council. The assets of the Kent scheme are held separately from those of the Association in an independently administered fund. The requirements of FRS 102 are fully reflected in the financial statements and associated notes. Note 31 provides a summary of the pension valuation report.

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 account 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 Operating 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 account in accordance with applicable accounting standards.

During the financial year, the last active member in the Kent LGPS left the Scheme and Orbit Housing Association signed a deferred debt agreement with the Trustees. Orbit was required to pay secondary contributions only. The agreement will terminate in 2032. As noted in the management judgements section, an asset ceiling of £2 million has been applied to reduce the net pension asset to £nil in accordance with FRS102 since we do not believe this surplus will be recovered.

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.

Value added tax

Orbit Housing Association Limited is party to a Group registration for VAT. All amounts disclosed in the financial statements are inclusive of VAT as appropriate where it is not recoverable.

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.

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.

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 properties.

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.

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 where the timing and amount 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 2023 as published on the Orbit website www.orbit.org.uk.

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

2023	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing properties £m	Operating surplus/ (deficit) £m
Social housing lettings (Note 3)	227.6	-	(153.3)	-	74.3
Other social housing activities:					
First tranche low-cost home ownership sales	0.4	(0.3)	-	-	0.1
Other	7.0	-	(10.6)	-	(3.6)
Total	235.0	(0.3)	(163.9)	-	70.8
Surplus on sale of housing properties (Note 7)	-	-	-	7.5	7.5
Total social housing activities	235.0	(0.3)	(163.9)	7.5	78.3
Activities other than social housing	7.0	-	(2.8)	-	4.2
Total	242.0	(0.3)	(166.7)	7.5	82.5

2022	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing properties £m	Operating surplus/ (deficit) £m
Social housing lettings (Note 3)	212.3	-	(137.7)	-	74.6
Other social housing activities					
Other	5.2	-	(12.9)	-	(7.7)
Total	217.5	-	(150.6)	-	66.9
Surplus on sale of housing properties (Note 7)	-	-	-	29.1	29.1
Total social housing activities	217.5	-	(150.6)	29.1	96.0
Activities other than social housing	6.3	(0.3)	(4.0)	-	2.0
Total	223.8	(0.3)	(154.6)	29.1	98.0

3. Income and expenditure from social housing lettings

	General needs housing £m	Supported housing & housing for older people £m	2023 £m	2022 £m
Income				
Rent receivable net of service charges & voids	174.0	16.4	190.4	180.7
Service charge income	12.9	12.1	25.0	20.0
Amortisation of social housing and other capital grant	9.8	1.6	11.4	11.4
Other grants	0.6	-	0.6	-
Other income from lettings	-	0.2	0.2	0.2
Turnover from social housing lettings	197.3	30.3	227.6	212.3
Operating expenditure				
Management	(23.9)	(4.8)	(28.7)	(29.9)
Service charge costs	(13.9)	(13.1)	(27.0)	(21.6)
Routine maintenance	(32.8)	(4.3)	(37.1)	(32.2)
Planned maintenance	(16.5)	(3.7)	(20.2)	(16.1)
Bad debts	(0.9)	(0.1)	(1.0)	(0.6)
Depreciation and impairment of housing properties	(34.7)	(4.5)	(39.2)	(37.2)
Other costs	-	(0.1)	(0.1)	(0.1)
Operating expenditure on social housing lettings	(122.7)	(30.6)	(153.3)	(137.7)
Operating surplus on social housing lettings	74.6	(0.3)	74.3	74.6
Void losses	(3.7)	(1.5)	(5.2)	(5.1)

4. Staff costs

Members of staff and directors that work for Orbit Housing Association Limited are contractually employed by the parent undertaking Orbit Group Limited. Their emoluments are disclosed in the financial statements of that undertaking.

5. Operating surplus

	2023 £m	2022 £m
Operating surplus is arrived at after charging/(crediting)		
Housing properties:		
Depreciation charge	41.0	37.2
Amortisation of social housing grant	(11.4)	(11.4)
Release of impairment provision	(1.8)	-
Other fixed assets:		
Depreciation of other tangible fixed assets	0.3	0.2
Release of impairment provision	(0.3)	-
Operating lease rentals:		
Land and buildings	0.2	0.1
Office equipment and vehicles	0.1	0.1
White goods	0.1	0.1
Auditor's remuneration (excluding VAT)		
Fees payable to the Association's auditor for the audit of the financial statements	0.1	0.1
Fees payable to the Association's auditor for other services	-	-
Total audit services	0.1	0.1
Total non-audit services	-	-

6. Board member emoluments

The Directors of the Association are its board members. Certain board members are tenants/leaseholders of the Association. 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 Orbit Housing Association Limited S Howlett and board member H Gillett in their roles as a member of the Orbit board are disclosed in the financial statements of Orbit Group Limited. No compensation was paid to directors for loss of office (2022: £nil).

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

	2023 £000	2022 £000
K Bolister (Retired 28 February 2022)	-	7
D Butler	7	6
S Tandooran-Sentain (Retired 08 September 2022)	3	6
J Boomhauer	6	6
T Mihil	6	6
J Brennan	6	6
D Glover	6	6
M Dillion	6	3
G Stenson (Appointed 01 August 2022)	4	0
M Turner (Appointed 01 August 2022)	4	0
Total	48	46

Expenses paid during the year to and on behalf of board members amounted to £23,000 (2022: £7,000).

7. Surplus on sale of fixed assets - housing properties

	Letting £m	Shared Equity £m	2023 Total £m	2022 Total £m
Disposal proceeds	15.2	0.1	15.3	59.0
Cost of disposals	(10.3)	(0.1)	(10.4)	(52.3)
	4.9	-	4.9	6.7
Capital grant recycled	1.0	-	1.0	1.8
Right to Buy clawback	(0.8)	-	(0.8)	(0.7)
Grant abated	2.4	-	2.4	21.3
Surplus on disposal	7.5	-	7.5	29.1

8. Interest receivable and other income

	2023 £m	2022 £m
Interest receivable and similar income	0.1	-

9. Interest payable

	2023 £m	2022 £m
Loans and bank overdrafts	56.2	50.9
Interest payable capitalised on housing properties under construction	(7.3)	(6.4)
Loan premium write-off	(0.4)	(0.4)
	48.5	44.1
Other financing costs:		
Defined benefit pension charge	-	-
Loan arrangement fees	0.1	0.1
Finance restructuring costs	-	0.6
	0.1	0.7

Interest is capitalised at the Group weighted average cost of capital 3.68% for 2023 and 3.71% for 2022.

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 £nil (2022: £nil). The Board is not aware of any circumstances which will affect the future taxation status of the Association.

11. Housing properties

Cost	Housing properties for letting		Supported Housing	Low cost home ownership	Non-social housing	Total £m
	Complete £m	In Development £m	Complete £m	Complete £m	Complete £m	
At 1 April 2022	2,414.9	224.5	88.1	5.4	3.1	2,736.0
Additions	38.0	92.0	8.9	0.1	-	139.0
Transfer on completion	72.6	(72.6)	-	-	-	-
Transfer to other Group members	(0.3)	-	-	-	-	(0.3)
Disposals	(11.6)	-	(0.6)	(0.1)	-	(12.3)
At 31 March 2023	2,513.6	243.9	96.4	5.4	3.1	2,862.4
Less: accumulated depreciation						
At 1 April 2022	(346.8)	-	(21.3)	(0.3)	(0.4)	(368.8)
Eliminated on disposal	4.8	-	0.2	-	-	5.0
Charge for year	(34.2)	-	(4.1)	-	-	(38.3)
At 31 March 2023	(376.2)	-	(25.2)	(0.3)	(0.4)	(402.1)
Less: provisions for impairment						
At 1 April 2022	(1.8)	-	-	-	-	(1.8)
Release of provision	1.8	-	-	-	-	1.8
At 31 March 2023	-	-	-	-	-	-
Net book amount:						
At 31 March 2023	2,137.4	243.9	71.2	5.1	2.7	2,460.3
At 31 March 2022	2,066.3	224.5	66.8	5.1	2.7	2,365.4

Additions to properties during the year include capitalised interest and finance costs of £7.3 million (2022: £6.4 million) and project management fees of £5.2 million (2022: £2.7 million).

Net book value of housing and other properties comprises:

	2023 £m	2022 £m
Freehold and long leasehold land and buildings	2,460.3	2,365.4
Other freehold/leasehold/commercial properties	0.7	0.7
	2,461.0	2,366.1

12. Other fixed assets

	Freehold offices £m	Leasehold offices £m	Commercial premises £m	Furniture, fixtures & Equipment £m	Total £m
Cost					
At 1 April 2022	0.5	3.2	0.6	3.2	7.5
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassification	(0.2)	-	-	0.2	-
At 31 March 2023	0.3	3.2	0.6	3.4	7.5
Less:					
Accumulated depreciation					
At 1 April 2022	(0.3)	(2.0)	(0.3)	(3.2)	(5.8)
Charge for year	(0.2)	-	(0.1)	-	(0.3)
Reclassification	0.2	-	-	(0.2)	-
At 31 March 2023	(0.3)	(2.0)	(0.4)	(3.4)	(6.1)
Less:					
Provisions for impairment					
At 1 April 2022	-	(1.0)	-	-	(1.0)
Release of provision	-	0.3	-	-	0.3
At 31 March 2023	-	(0.7)	-	-	(0.7)
Net book amount					
At 31 March 2023	-	0.5	0.2	-	0.7
At 31 March 2022	0.2	0.2	0.3	0.1	0.7

13. Fixed asset investments

	2023 £m	2022 £m
Monies deposited for Affordable Housing Finance Plc	5.5	2.7

In July 2016, Orbit South Housing Association Limited and Heart of England Housing Association both raised £25 million fixed rate bonds and in December 2016 a further two £25 million fixed rate EIB loans with Affordable Housing Finance Plc (AHF) via The Housing Finance Corporation, a total of £100 million.

It is a condition of the funding that the borrower (now Orbit Housing Association Ltd) 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 £2,341,250. The AHF Bond is secured by a first fixed charge on properties and £3,113,000 is held in a cash security deposit account to cover the amount below the required security threshold.

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

	2023	2022
	£m	£m
At 1 April 2022	42.5	37.9
Additions during the year	-	3.1
Gain in valuation	1.9	1.5
At 31 March 2023	44.4	42.5

15. Properties for sale

	2023	2022
	£m	£m
Housing properties converted and available for sale	-	0.1
Housing properties converted and under construction for sale	1.9	0.7
	1.9	0.8

16. Debtors

	2023	2022
	£m	£m
Due within one year:		
Rental debtors	6.0	5.6
Less: provision for doubtful debts	(2.2)	(2.0)
	3.8	3.6
Service charges due from Leaseholders	0.5	0.3
Amounts due from Group undertakings	34.6	10.3
Prepayments and accrued income	2.8	6.0
Other debtors	4.1	3.6
Provision for bad debts	(1.0)	(0.8)
	44.8	23.0
Due after more than one year:		
Other debtors	5.9	2.9
Amounts due from Group undertakings	-	123.2
	5.9	126.1
Total	50.7	149.1

17. Creditors: amounts falling due within one year

	2023	2022
	£m	£m
Housing loans inter-company (Note 22)	14.2	14.9
Amounts due to Group undertakings	60.4	67.5
Other creditors including taxation and social security	7.8	6.6
Accruals and deferred income	16.0	17.3
Rents received in advance	7.9	7.1
Recycled Capital Grant Fund (Note 21)	0.3	0.3
Deferred capital grant (Note 19)	11.4	11.3
Total	118.0	125.0

Within amounts due to group undertakings shown above there is an inter-company creditor with Orbit Group Limited (OGL) of £25.2 million which is repayable on demand. Since Orbit Housing Association is in a net current liability position the Directors of OGL have confirmed their intention that payment will not be requested within 12 months if insufficient funds are available.

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

	2023	2022
	£m	£m
Housing loans (Note 22)	99.2	99.2
Housing loans inter-company (Note 22)	1,246.3	1,267.2
Deferred capital grant (Note 19)	598.1	601.5
Deferred income for renewals and maintenance contributions	10.6	10.1
Other creditors	1.2	1.1
Recycled Capital Grant Fund (Note 21)	14.3	14.6
Loan premium Affordable Housing Finance Plc	7.1	7.4
Total	1,976.8	2,001.1

Housing loans shown above are net of £0.8m (2022: £0.8m) loan arrangement fees carried forward.

19. Deferred capital grant

	2023 £m	2022 £m
At 1 April 2022	612.8	634.4
Grant received and utilised in the year	10.6	7.7
Released to income in the year	(11.4)	(11.4)
Elimination of amortisation on disposal	1.0	5.5
Transfer to RCGF	(1.0)	(1.8)
Grant abated on disposal	(2.4)	(21.3)
Transfer to other Group members	(0.1)	(0.3)
At 31 March 2023	609.5	612.8

Analysed as:

	2023 £m	2022 £m
Amounts to be released within one year	11.4	11.3
Amounts to be released in more than one year	598.1	601.5
	609.5	612.8

20. Provisions for liabilities

	As restated at beginning of year £m	Release of provision during year £m	At end of year £m
Water Rates	0.4	(0.4)	-

The provision held for Thames Water was released during the year ended 31 March 2023.

21. Recycled capital grant funds

	Total £m
At 1 April 2022	14.9
Grants recycled	1.0
Utilised in the year	(1.2)
Repayment of grant	(0.1)
At 31 March 2023	14.6

Amount due for repayment to Homes England

	2023 £m	2022 £m
Within one year	0.3	0.3
After more than one year	14.3	14.6
At 31 March 2023	14.6	14.9

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

22. Housing loans and finance lease obligations

	2023 £m	2022 £m
Due within one year		
Orbit Treasury Limited	14.2	14.9
Due after more than one year		
Orbit Treasury Limited	412.6	433.5
Orbit Capital Plc	833.7	833.7
Affordable Housing Finance Plc	100.0	100.0
	1,346.3	1,367.2
Total	1,360.5	1,382.1

Note (a)

All loans are in sterling. From 28 September 2007 non bond finance in the Group is routed through a separate treasury vehicle and fellow subsidiary of Orbit Group, Orbit Treasury Limited (OTL). All registered providers in the Group have entered into a fully cross-collateralised structure. OTL borrows money on behalf of the Group and on-lends these to the individual operating Associations as required. The Associations, as part of this arrangement, also agree to cover all costs associated with the funding including any associated hedging arrangements such as interest rate swaps. The benefits of setting up the treasury vehicle include streamlined and efficient treasury procedures and strategy. The loan from OTL is secured by fixed charges on individual properties.

Orbit Housing Association Limited
Notes to the Financial Statements

Orbit Capital Plc (OCP) is a public limited company incorporated on 22 January 2015. OCP is a wholly owned subsidiary of Orbit Group and was established for the purpose of issuing publicly listed bonds. OCP 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. The company issued its third sterling bond on 24 November 2020 for £300 million priced at 2.00% (maturity date 2038) to provide long term funding to support the group strategy.

The 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 OCP to the Associations and were used by the Associations to repay in part loans previously received from OTL. Interest on the loan from OCP is due half yearly. The loan is repayable on 24 March 2045 (£250m) and 14 June 2048 (£450m) and 24 November 2038.

On the 28 July 2016 the company raised two £25 million fixed rate bonds 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 two further £25 million fixed rate EIB loan were raised with Affordable Housing Finance Plc via The Housing Finance Corporation. The EIB loans are repayable by instalments starting in July 2027 and mature in July 2046 with interest payable at a fixed rate of 1.702% and 1.877%.

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

	2023 £m	2022 £m
In one year or less, on demand	14.2	14.9
Repayable by instalments:		
More than one year but not more than two years	14.2	15.0
In more than two years but not more than five years	45.2	44.8
In more than five years	1,236.9	1,257.4
	1,296.3	1,317.2
Repayable by other than instalments:		
In more than five years	50.0	50.0
Total	1,360.5	1,382.1

Note (b)

The interest rate profile at 31 March 2023 was:

	Total £m	Variable Rate £m	Fixed Rate £m	Weighted Average Rate %	Weighted Average Term until Maturity Years
Instalment loans	1,310.5	426.8	883.7	3.67%	19
Non-instalment loans	50.0	-	50.0	2.89%	21
	1,360.5	426.8	933.7	3.64%	19

23. Called up share capital

	2023 £	2022 £
Issued and fully paid shares of £1 each		
At 1 April 2022	9	9
Issued	2	1
Surrendered	(1)	(1)
At 31 March 2023	10	9

The share capital of Orbit Housing Association 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, 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 general meeting of the Association.

24. Capital commitments

	2023 £m	2022 £m
Capital expenditure which has been contracted for but has not been provided for in the financial statements	208.8	173.9
Capital expenditure which has authorised under authority from the Orbit Board but has yet to be contracted for	145.0	135.0
	353.8	308.9

The Association expects these commitments to be financed with:

	2023 £m	2022 £m
Social housing and other grants	55.0	51.9
Surpluses and borrowings	298.8	257.0
	353.8	308.9

25. Contingent liabilities

As at 31 March 2023, there were £37.0 million contingent liabilities within the Association (2022: £37.1 million).

Stock acquisitions previously undertaken include original government grant funding of £37.8 million which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Orbit Housing Association Limited is responsible for the recycling of the grant in the event of the housing properties being disposed.

26. Financial commitments

Operating leases

At 31 March 2023 the Association was committed to making the following minimum future payments in respect of operating leases other than land and buildings:

	2023	2022
	£m	£m
Leases which expire		
Within one year	0.5	0.4
Within two to five years	0.9	0.6
After five years	0.4	-
Total	1.8	1.0

27. Ultimate parent entity

The immediate parent undertaking and ultimate parent entity and controlling entity of Orbit 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 2023.

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

The results of Orbit 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

28. Related party transactions

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 aggregate payments to Orbit totalled £17,000 (2022: £20,000). The outstanding amount owed at 31 March 2023 was £1,000 (2022: £500).

Orbit Housing Association Limited 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 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-Regulator of Social Housing regulated group entities are shown at note 32.

29. Property portfolio

	2023	2022
	Units	Units
<u>Social</u>		
Social Rent General Needs	24,132	24,074
Affordable Rent	6,310	6,016
Supported Housing:		
Social Rent Supported Housing	3,363	3,329
Affordable Rent Supported Housing	167	167
Care Homes	14	14
Low Cost Home Ownership (LCHO)	249	246
Total Social Housing Units (excluding Leasehold)	34,235	33,846
Leasehold	1,676	1,661
Total Social Housing Units	35,911	35,507
<u>Non-Social</u>		
Market rent	194	194
Private retirement schemes	1,110	1,110
Non-social Leasehold	164	99
Retained Freehold	1,841	1,646
Commercial units	12	12
Total Non-Social Housing Units	3,321	3,061
Total Social and Non-Social Housing Units	39,232	38,568

30. Number of units under development at end of year

Comparatives have been restated to include 'on site' developments only

	2023	Restated
	Number	2022
		Number
General Needs	748	854
Total Social Housing units	748	854

31. Pension costs

	2023	2022
	£m	£m
Net deficit at 1 April 2022	(1.7)	(2.1)
Service costs	-	-
Contributions	0.1	-
Net return on assets less interest on pension scheme liabilities	(0.1)	-
Actuarial gain / (loss)	3.7	(0.4)
Implementation of asset ceiling	(2.0)	-
Deficit in pension scheme at 31 March 2023	-	(1.7)

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 £51,000 (2022: £10,000).

The estimated impact of the recent McCloud judgement has been recognised as a past service cost.

An asset ceiling of £2 million has been applied to the net assets of the pension scheme this year to reduce the net deficit/ asset to £nil, in accordance with FRS102, since management does not believe that the surplus reported on the scheme is recoverable.

The last active member left this Scheme during the year and Orbit Housing Association entered into a Deferred Debt Agreement with KCC.

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 2022. In accordance with the terms of the Deferred Debt Agreement the Scheme was valued on a projected cessation basis giving rise to an asset position of £0.5 million and a funding level of 105%.

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

	2023	2022
Rate of increase in salaries	3.9%	4.30%
Rate of increase in pensions in payment and deferred pensions	2.9%	3.30%
Discount rate applied to scheme liabilities	4.8%	2.60%
Inflation assumption – CPI	2.9%	3.30%

The estimate of the duration of the employer liabilities is 14 years.

Life expectancy from age 65 (years)

		2023	2022
		Number	Number
Retiring today	Males	21.1	21.6
	Females	23.5	23.7
Retiring in 20 years	Males	22.3	23.0
	Females	25.0	25.1

Scheme assets	2023	2022
	£m	£m
Equities	6.3	6.5
Government bonds	0.1	0.1
Other bonds	1.3	1.4
Property	0.9	1.2
Other – cash	0.2	0.2
Absolute Return fund	0.7	0.7
Other	0.3	-
Total fair value of assets	9.8	10.1
Present value of scheme liabilities	(7.8)	(11.8)
Total asset (liability)	2.0	(1.7)
Implementation of ceiling on assets	(2.0)	-
Net pension asset / (liability)	-	(1.7)

Statement of financial position at 31 March 2023

	2023	2022
	£m	£m
Present value of the defined benefit obligation	7.8	11.8
Fair value of fund assets (bid value)	(9.8)	(10.1)
Implementation of asset ceiling	2.0	-
Deficit	-	1.7
Present value of unfunded obligation	-	-
Net defined benefit liability	-	1.7

Scheme liabilities

	2023	2022
	£m	£m
Opening defined benefit obligation	11.8	12.2
Service cost	-	-
Interest cost	0.3	0.2
Change in financial assumptions	(4.0)	(0.4)
Change in demographic assumptions	(0.3)	-
Experience loss/(gain) on defined benefit obligation	0.3	-
Estimated benefits paid net of transfers in	(0.3)	(0.2)
Closing defined benefit obligation	7.8	11.8

Reconciliation of opening and closing balances of fair value scheme assets

	2023	2022
	£m	£m
Opening fair value of scheme assets	10.1	10.1
Interest on assets	0.3	0.2
Return on assets less interest	(0.1)	-
Other actuarial gains	(0.1)	-
Estimated benefits paid net of transfers in and including unfunded	(0.4)	(0.2)
Fair value of scheme assets at the end of the year	9.8	10.1

Analysis of amounts charged to income and expenditure account

	2023	2022
	£m	£m
Amounts charged to operating costs		
Service costs	-	-
Administration expenses	-	-
	-	-

32. Non-consolidated management arrangements

Orbit Housing Association Limited has entered into arrangements with a number of other organisations in connection with the management of properties. 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 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 £70.9 million (2022: £51.5 million) to Orbit Homes (2020) Ltd for the purchase of housing property assets, £5.2 million (2022: £2.7 million) in project management fees and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £11.8 million (2022: £9.4 million) and outstanding debtor balance of £nil million (2022: £nil million)

Orbit Treasury Limited and Orbit Capital plc provide a funding on-lending service to Group members.

During the year the Association paid interest costs to Orbit Treasury Limited totalling £22.9 million (2022: £19.9 million) and fees of £3.8 million (2022: £3.3 million) and has an outstanding debtor balance of £nil (2022: £nil) and creditor balance of £17.5 million (2022: £13.2 million). The allocation of these costs is based upon the level of debt required and secured by the housing property held in the Association.

The Association also paid interest costs of £26.3 million (2022: £25.3 million) and fees of £0.7 million (2022: £0.6 million) to Orbit Capital plc and had an outstanding debtor balance of £nil million (2022: £4.5 million) and creditor balance of £5.9 million (2022: £5.9 million) with 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.