2020-21

Orbit Group

Annual Report and Financial Statements

orbit building communities

For the year ended 31 March 2021

Key highlights

£112 million
operating surplus

4.2/5
customer satisfaction

848
new properties delivered

£6.4 million
community investment

Fire safety accreditation BS9997

EPC C at
80.4%

£64.8 million
investment in existing homes

2 RoSPA Gold Awards

£8.5 million
investment in digital

Contents

Orbit team member helping the local community in the Midlands

Group Chair's Introduction

In my time as Chair of the Orbit board I have been privileged to be part of a team dedicated to delivering our core promise of building homes and communities where people can thrive and achieve their full potential. Throughout our long history we have always known that as a housing association, our purpose is more than just constructing houses, it is about building a better future for our customers and employees, and never has that purpose been more needed.

The pandemic has been a challenge for everyone; Orbit has not only risen to that challenge as a home builder but also in our support for our customers and their communities, and our employees. The significant investment we have made in our digital capability has proved to be a vital tool in enabling us to continue providing the help and support our customers need to maintain their homes, their finances, and their mental wellbeing despite the lockdown restrictions. The Orbit Better Days programme and our Tenancy Sustainment teams have been crucial in maintaining our high levels of customer support at a time of greatest need. Our systems and working practices have proven to be robust and flexible, and able to cope with the changing circumstances of the pandemic, allowing us to continue our operations while ensuring the health and wellbeing of employees and customers.

Just as we have risen to the challenge of the pandemic, we are also rising to the challenge of the global climate crisis. Our comprehensive Environmental, Social and Governance strategy outlines our commitment to reducing our carbon footprint. Through the use of more efficient modern methods of construction and our design standards we are reducing our carbon emissions, building homes to higher environmental standards, and we continue to invest in carbon reduction measures across our existing housing stock and our operations, to ensure our customers and communities thrive now and in the future.

As I look back on my time at Orbit, it is clear to me that the future of Orbit and society at large depends entirely on its people, and our employees will always be the reason for our success. Their development and the nurturing of future talent is critical, not only for Orbit but for the wider industry and economy as a whole, and I am delighted to see the progress made by our previous Graduate and Apprenticeship intakes as they grow in their careers, becoming the leaders of tomorrow. I am also pleased that Orbit is participating in the Government's Kickstart Scheme, creating yet more opportunities for those starting out on their career. Attracting and retaining the best people who will be the driving force of Orbit ensures our future success, and continual development should and must remain a core objective for us all.

Through our new strategy, Orbit 2025, we have set ourselves a range of demanding targets that not only make a commitment to building more homes but also focus on achieving continual improvements in serving our customers, investing in their communities and responding to the great environmental challenge of global warming. I would like to thank everyone at Orbit, my fellow Board members, Orbit colleagues throughout the organisation and our partners for their help and support in this great endeavour.

The Rt Hon. Baroness Tessa Blackstone
Group Chair

Chief Executive's Report

Our vision is simple – we lead in building thriving communities. We believe everyone is entitled to a good quality home that they can afford in a place they are proud to live.

We have been dedicated to tackling the housing crisis for over 50 years. We are proud to be a housing association with over 45,000 homes, serving more than 100,000 customers, and a housebuilder helping to increase the number of affordable homes in the country.

The challenges of the last twelve months have been unprecedented, and COVID-19 has added to the uncertainties surrounding Brexit, resulting in economic challenges across the country. Throughout the pandemic, we have steadfastly focused on three key priorities: to protect our customers, to protect our people and to protect our finances, and I am proud that we rose to the challenge with outstanding results, continuing to provide vital services for our customers, preserve jobs and increase our financial liquidity.

The pandemic creates an obvious lens through which we all look back on the last year, but having achieved the demanding targets of our seven year Orbit 2020 strategic plan, January 2021 saw us launch our new Corporate Strategy, Orbit 2025.

Orbit 2025 sets out what we want to achieve to realise our vision over the next few years. Combining a focused commercial outlook with a clear social purpose enables us to re-invest the profit that we make to provide better services and homes for our customers in the communities where we operate.

Our results

Despite an incredibly challenging year, the financial operating performance of the business has been very strong, ending the year broadly flat with the prior year. We have been successful in managing operations efficiently, driving strong home sales and controlling costs, resulting in operating margins, excluding fixed asset sales, of 25.4%.

A strong financial performance is vital to provide the necessary platform to invest in our long-term goals and the delivery of Orbit 2025. This is more important than ever as we look to mitigate the ongoing uncertainty of COVID-19 whilst also continuing plans to manage fire safety and climate change.

By focusing on value for money and managing our business effectively, we have been able to protect and build our finances. We have reduced expenditure where prudent and invested £8.5m in our digital infrastructure, which will deliver long-term operational and cost efficiencies. We increased our banking facilities to ensure we retained the financial liquidity we need to be flexible and respond to future challenges and opportunities, and in November 2020, we secured a further £300 million of funding through the issuance of a bond. The level of interest received from the investor community when we went to market was a clear reflection of our standing in the sector and the low coupon rate for the bond is a powerful endorsement of Orbit's long-term financial strength.

The Group's operating profit for the year, including fixed asset sales was £112 million (2020: £130 million) on a turnover of £355 million (2020: £323 million). The overall operating profit figure included a contribution of £22 million from fixed asset sales (2020: £45 million) with the difference being the contribution from voluntary right to buy sales, which totalled £0.7 million this year compared to over £20 million in FY2020. Excluding fixed asset sales, the operating profit for the year was in line with the prior year at £90 million (2020: £90 million) despite the impact of the pandemic on our construction activities during the initial lockdown period. The success of the Tenancy Sustainment Team in supporting our more vulnerable customers was also reflected in reduced rent arrears and bad-debt write offs.

With revenue reserves at £740 million (2020: £689 million) and significant funding from the latest bond issue and the Homes England partnership, we have the financial strength we need to deliver the targets we have set ourselves as part of the Orbit 2025 strategic plan.

Supporting our Customers

At the outset of the COVID-19 pandemic, Orbit moved quickly to put in place the measures necessary to keep our operations running as smoothly as possible. The agility of our approach ensured the continuation of the vital services we provide, from our customer call centre and tenancy support services, to emergency repairs and home maintenance, ensuring we were able to maintain our operational performance and service quality at pre-pandemic levels. All of which contributed towards Orbit maintaining its strong customer satisfaction level of 4.2 out of 5.

After initial lockdown restrictions were lifted, we were able to mobilise our construction teams quickly and safely, ensuring the impact on our build programme was minimised. Despite site closures and the necessary changes to construction site working practices, we completed 848 new homes in the past year.

We also continued to invest in our communities, providing £6.4 million of support for local voluntary services and charities. This included gifting £50,000 to local foodbank efforts to supply vulnerable and low-income households, as well as providing grants for local charities so they could continue to operate.

Throughout all of this we are proud to have achieved a number of firsts within the sector for our commitment to the safety of our customers. We remain the only affordable housing provider to have achieved BS9997, British Standards in Fire risk management systems, and this year we achieved accreditations from the Domestic Abuse Housing Alliance (DAHA) and Leaders in Safeguarding, in recognition of our commitment to keeping adults and children safe.

In addition to supporting our customers throughout the pandemic, we have also been working on a number of important developments in our customer service offering. Over the last 12 months, we have been consulting with customers to explore how we can further improve our services and communications and, as a result, we have launched our new Customer Promise, which outlines our commitments to them. At the same time, we have launched a new customer website to enhance our customers' experience at every point of contact and to make it as easy as possible for customers to communicate with us in person or online.

Our community at St Anne's in Norwich

Supporting our People

The benefits of our rapid response to the changing circumstances of the pandemic and our agile working practices were felt by our employees as much as our customers.

From the outset, we were able to implement homeworking / remote arrangements where possible and appropriate without impacting our operational performance or service levels. The strength and resilience of the business also meant we were able to protect people's roles within the business and as a result, we did not use the Government's furlough scheme for any of our employees.

As the year progressed, we continued to adapt our working practices and by September 2020, we implemented our remote working initiative, WorkSmart. Over 850 employees have signed up to the scheme and as a result we have reviewed our office strategy, closing two offices and changing the way we utilise our office space, achieving reductions in office overheads and our environmental footprint.

Despite the considerable operational successes, we have also had to address the challenges that the pandemic and homeworking have posed to the wellbeing of our employees. The importance of our internal communications and our collaborative approach are exemplified by our award-winning wellbeing programme, #ThisIsMe, which provides our colleagues with access to a range of services to support their mental and physical wellbeing. This approach was complemented by our ongoing commitment to Equality, Diversity and Inclusion, with further progress encouraging greater diversity and inclusion across the organisation.

Looking Ahead

The implementation of our corporate strategy, Orbit 2025, will see a continued focus on safety, service, quality of existing and new homes, and the environment, whilst increasing engagement with our customers and partners to improve communities. It will see us invest £0.4 billion into improving our existing homes and estates over the next five years, building a further 6,500 new homes and investing over £25 million in our communities.

Building on the strong platform that we have already established, we will continue to embrace innovation and new technologies, skills and partnerships, whilst retaining our commitment and focus on safety and quality standards. We will continue to invest in the careers of our people, ensuring we attract and retain the best talent, and we will capitalise on efficiency gains through investment in our IT infrastructure with full implementation of Microsoft Dynamics. Alongside this we continue to do everything we can to achieve our ambitious carbon reduction objectives, where we have already seen a 21% reduction in our carbon footprint from offices, fleet, landlord supply, re-let and new build voids and construction activities since our first year of reporting in 2018-19.

Our focus on customer engagement remains, ensuring we deliver real and sustainable impact, enriching lives in the communities where we work. We are proud to be a supporter of the City of Culture 2021; hosted in the city where it all began for Orbit, this is a huge opportunity for the city and will have long-term positive impact for the people of Coventry and beyond.

Looking to the legislative landscape, we see continuing debate surrounding the consultation on the Planning White Paper and infrastructure levy. Whilst we welcome the recommendations made in the Social Housing White Paper and the draft Building Safety Bill, it is important to acknowledge that enhancing safety and services along with the drive to net zero will all need investment at a time when we are also under constant pressure to maintain affordability for customers.

The finances of the sector are not infinite and achieving these challenges will require innovation, collaboration and leadership. We are keen to match these ambitions and work with the Government and local authorities to help ensure the UK gets the housing stock it needs. Our business is dynamic and agile, and we will continue to respond to the changing environment as effectively as we have in the past twelve months. In the meantime, we will remain committed to mitigating the effects of the pandemic on our customers and communities, our people, and the business with the same determination and success.

Mark Hoyland
Group Chief Executive

Food and essential parcels delivered to members of the community in Brandon

Overview of the Group

Orbit

We lead in building thriving communities. Over 100,000 people live in Orbit homes and our aim is to ensure the homes we provide and the places we create are good quality, affordable and safe. We play an active part in the neighbourhoods where we work, supporting local economies and social activity within communities.

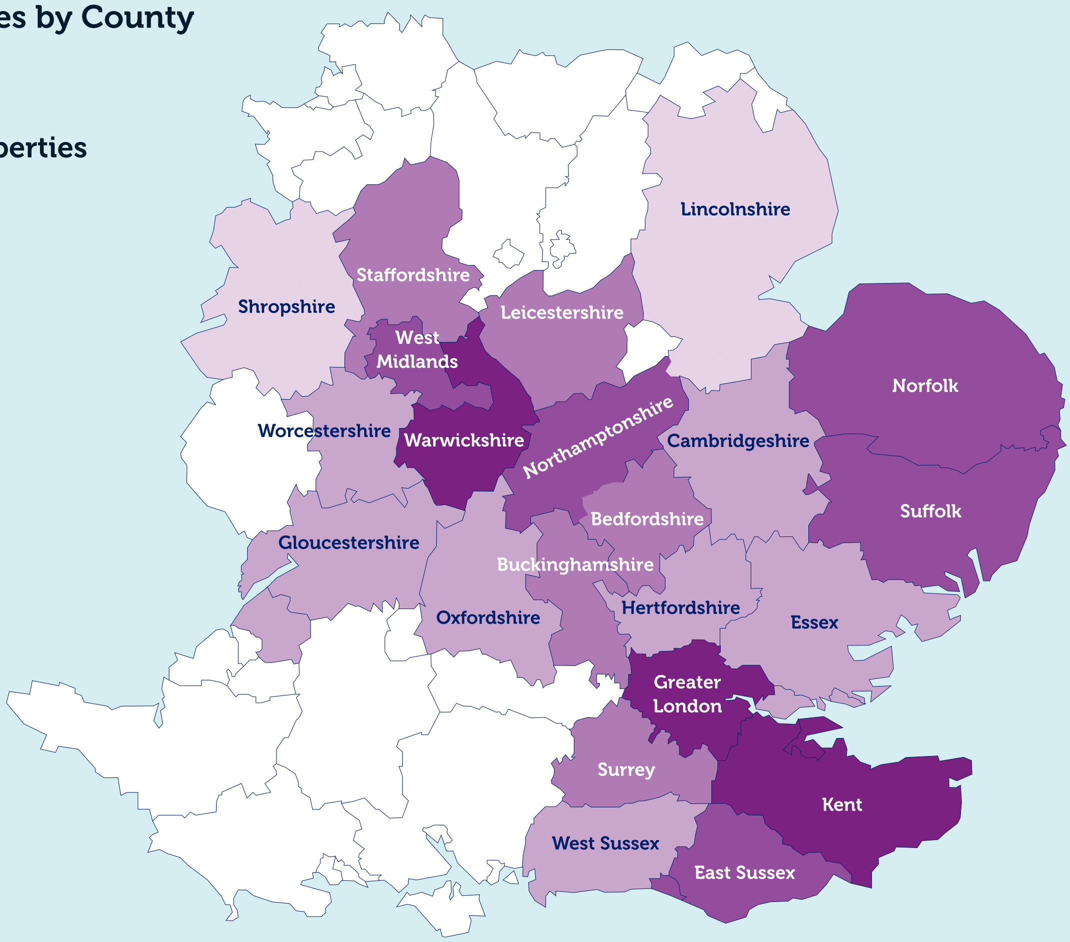
We are one of the UK's foremost housing groups:

- Managing a growing portfolio of over 45,000 affordable and social rent homes
- Building 6,500 new homes in the next five years and one of the UK's largest developers of affordable housing
- Supporting over 100,000 customers in differing stages of life, from those seeking their first home to customers looking for enhanced supported living
- Delivering good quality, affordable and safe homes and services primarily across the Midlands, the East, London and the South East of the UK
- Investing back into our communities through our Profit for Purpose ethos and multi-million pounds community investment programme
- Financially strong with a thorough and robust financial strategy

Orbit Properties by County

Number of Properties

- 1 - 49
- 50 - 499
- 500 - 1999
- 2000 - 4999
- > = 5000



Our Strategy

Our corporate strategy, Orbit 2025, sets out what we want to achieve to realise our vision over the next five years. Combining a focused commercial outlook with a clear social purpose means that we can re-invest the profit that we make to deliver our vision.

We plan 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 this will be delivered in full recognition of the global environmental crisis and ensuring that Orbit reduces its impact across homes, services and offices. We will capitalise on the strong platform we have established, embracing new technologies, skills and partnerships as they become available to us. We will continue to focus on safety and quality standards, ensuring we adapt to the latest legislation, whilst increasing our engagement with customers to ensure Orbit adds real value by enriching lives in the local communities where we work. In doing so we will:

- 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

Strategy Framework - at a glance

Customer Experience

- Informed and engaged residents
- Easy to contact across all channels
- Responding to a changing society
- Affordability through reshaping our stock portfolio

Quality Affordable Homes

- 6,500 new homes
- Land led development
- Investment in our homes and estates
- Embracing modern methods of construction techniques

Profit for a Purpose

- Invest more in homes, services and communities
- Financial resilience
- Profitable, sustainable growth
- Capitalise on investment in IT infrastructure

Great Place to Work

- Leading employment experience
- Personal Growth, development and well being
- Inclusive and multigenerational employer
- Social and environmental responsibility

RISK, COMPLIANCE & ENVIRONMENT

Quality & Safety

- High standards

Risk

- Robust governance framework

Environmental

- Carbon reduction

> Tackling climate change is probably the biggest challenge the world faces. UK social landlords have a fundamental role to play in reducing the environmental impact that arises from building and maintaining homes. To do this takes strong partnerships with government, the supply chain, residents and registered providers.

Mark Hoyland,
Group Chief Executive

Planting trees in one of our green communal spaces at Tanyard Farm in Coventry

Our Environmental, Social and Governance Strategy

Fundamentally, Orbit was founded to deliver social value, with our impact on our customers, our communities and our partners interwoven in all we do. As an early adopter of the housing sector's Environmental, Social and Governance (ESG) approach, the Sustainability Reporting Standard, we are fully committed to support society and to reduce our impact on the environment, setting targets for delivery and reporting annually on our progress.

Our ESG strategy is aligned to our vision to lead in building thriving communities, and is mapped against the 17 United Nations Sustainable Development Goals. It provides the business with a formal and measurable structure to deliver its commitment to create a better society, enabling Orbit to deliver improved performance that is consistent with our mission and vision.

ESG issues are embedded into our decision-making at all levels and our actions on issues will be measured, benchmarked, monitored and their performance reported to the management teams and Orbit's Board.

Orbit's ESG strategy is a core aspect of the Group's Orbit 2025 Strategy and its delivery is organised into four themes:

Customers and Community

We support our customers and communities to thrive

We are committed to building and maintaining thriving communities. By delivering much-needed affordable homes, investing in local communities and supporting our customers to develop the skills to get back into work or to manage personal finances, we strive to make a difference. We aim to improve the communities in which we work by building safe and sustainable living environments that make a positive contribution to the health, happiness and wellbeing or our customers.

Our People

We enable our people to maximise their potential

We believe everyone should be able to maximise their potential, to make a real difference and to do so in a safe, supporting, and respectful environment. We aim to provide all our people with the support and training necessary for personal and professional development. We actively encourage greater diversity and inclusion across the organisation and provide opportunities for all employees to give time to supporting our customers and communities.

Our Partners

We create partnerships for good

We believe in good business, in supporting social enterprise partnerships, working with likeminded organisations, and supporting our supply partners in the pursuit of their ESG goals. We believe that through partnerships with all our stakeholders we can support society and the environment.

Our Environment

We have a responsibility to protect our planet

We will adapt to a changing climate, whilst actively enhancing our environment, creating and improving places and spaces for communities to thrive. Our objectives are to achieve net zero carbon emissions, enhance our green spaces to improve their quality and biodiversity, and to develop responsible partnerships to develop and manage a sustainable supply chain.

For further information on our ESG strategy, please see our Environmental, Social and Governance report.

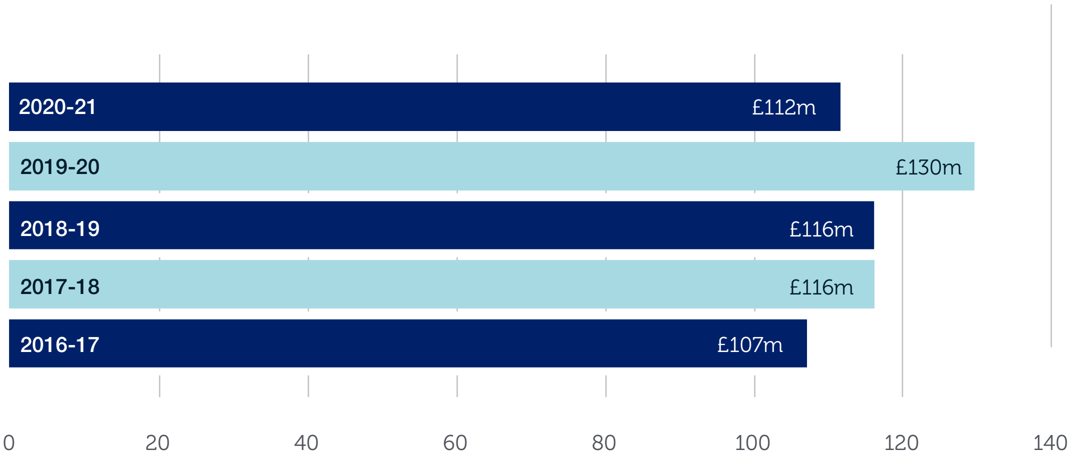
Five Year Summary of Financial Highlights

Statement of comprehensive income	2020-21 £m	2019-20 £m	2018-19 £m	2017-18 £m	2016-17 £m
Turnover	355	323	316	357	333
Operating costs and cost of sale	(265)	(232)	(230)	(266)	(249)
Surplus on sale of housing	22	45	30	25	23
Pension exit costs	-	(6)	-	-	-
Operating surplus	**112**	**130**	**116**	**116**	**107**
Operating margin %	**31.5%**	**40.0%**	**36.8%**	**32.5%**	**32.1%**

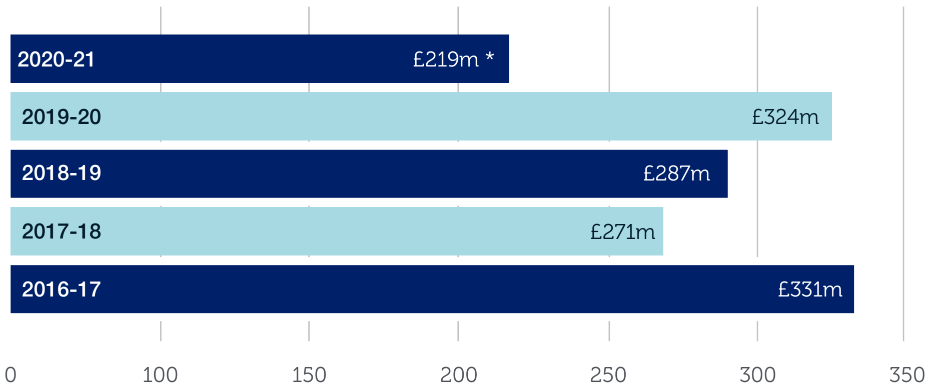
Statement of financial position	2020-21	2019-20	2018-19	2017-18	2016-17
Fixed assets	2,788	2,688	2,524	2,394	2,272
Creditors due after >1 year	2,453	2,280	2,175	1,957	1,928
Revenue reserves	740	689	601	573	487

Key indicators	2020-21	2019-20	2018-19	2017-18	2016-17
Properties	45,702	44,753	43,470	42,417	40,610
New homes built	848	1,520	1,266	2,030	1,788
Debt per unit (£k)	45.8	39.7	38.9	33.5	33.1
Months cash/secured loans available	36	36	36	36	36
Interest cover	2.11	2.38	2.39	3.09	3.07

Operating surplus (£m)



Investment in existing and new homes



* The decrease in this figure reflects the impact of the pandemic. Please refer to page 26 for more detail.

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

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

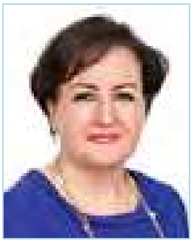
Group Board

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

Helen Gillett
Customer and Communities Board and Remuneration Committee

Stephen Howlett CBE, DL
Chair, Customer and Communities Board

Mark Hoyland
Group Chief Executive



Massy Larizadeh
Orbit Treasury Limited Board

Stephen Smith
Chair, Audit and Risk Assurance Committee

Stephen Stone
Chair, Orbit Homes

David Weaver
Chair, Orbit Treasury Limited and Orbit Capital Plc

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

Executive Team

Mark Hoyland
Group Chief Executive

Afzal Ismail
Group Director of Corporate Services

Helen Moore
Group Director of Orbit Homes

Paul Richards
Group Director of
Customer and Communities

Jonathan Wallbank
Group Finance Director

Craig Wilcockson
Group Director of
People and Strategy

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

Operational & Strategic Review

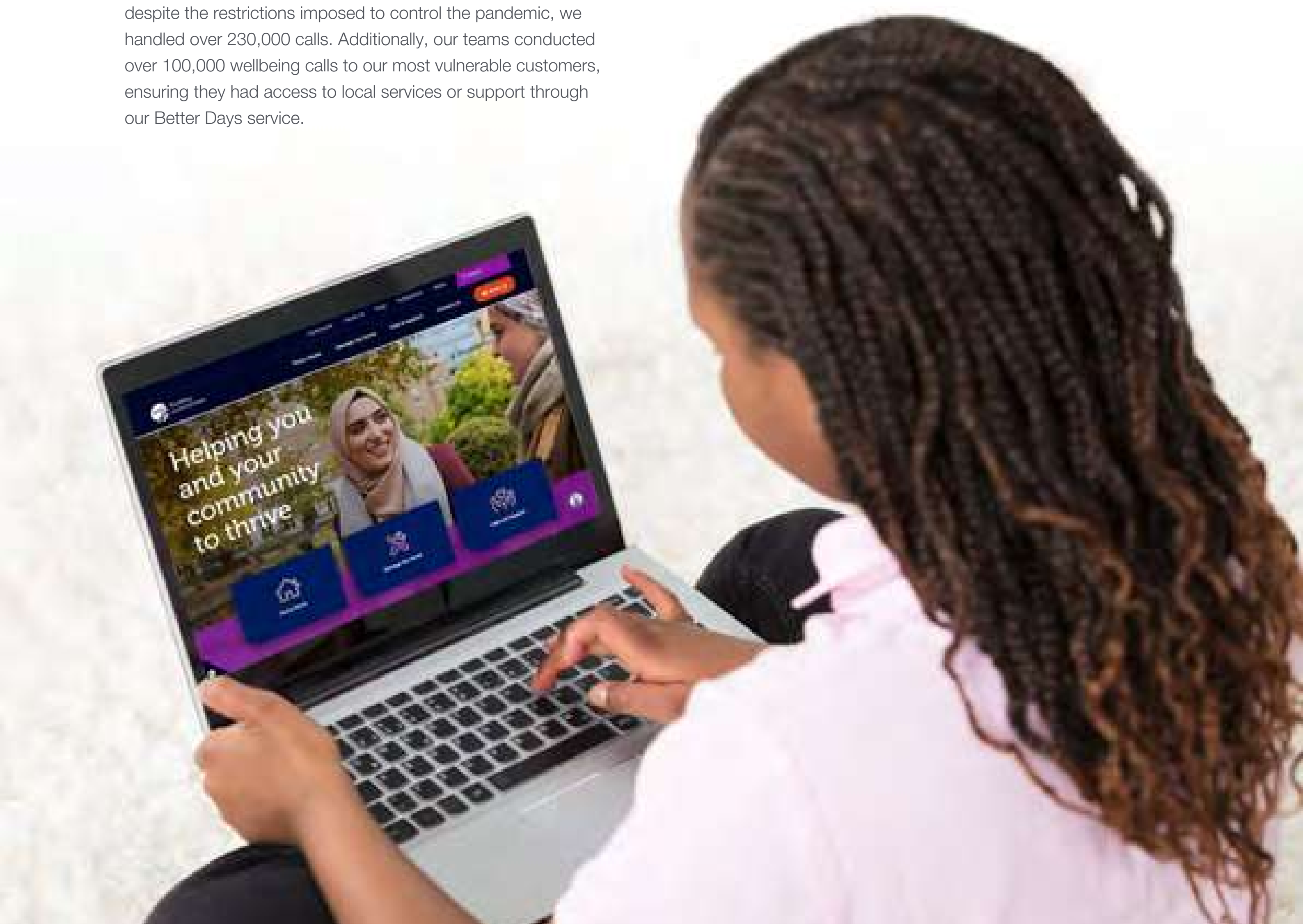
Customer Service

We aim to work together with our customers to shape our services and involve them in the decisions that affect their communities, and this is underpinned by our equal commitment to providing our customers with the best possible service and support.

We are proud to report that we have delivered a customer satisfaction rating of 4.2 out of 5 despite the challenges of the COVID-19 pandemic.

Our investment in a single location Customer Hub has been pivotal in enabling us to maintain the critical services we provide to our customers and communities. Throughout the year the performance levels of the Customer Hub were maintained and despite the restrictions imposed to control the pandemic, we handled over 230,000 calls. Additionally, our teams conducted over 100,000 wellbeing calls to our most vulnerable customers, ensuring they had access to local services or support through our Better Days service.

As a result of this direct support we were able to refer our customers to local foodbanks, agencies like Age UK, community befriending schemes and a whole range of local authority support services. It is a testament to the dedication and efficiency of our employees that a total of 10,000 calls were made in just a three-week period during the first lockdown.



One of our customers using the newly updated customer focused website

> We work together, tackling changes to deliver excellent services, reduce complaints and increase Customer Satisfaction

Orbit customer - Baeti Mary Mothobi

In partnership with Customers

Listening to our customers and getting their feedback has always been of primary importance to us. As an early adopter of the National Housing Federation's Together with Tenants, we were already making changes to how we engage and communicate with our customers, but this year, against the backdrop of the pandemic, we have accelerated our plans and implemented a number of new initiatives to improve our support and services for our customers.

We launched our digital engagement platform, Your Voice, to ensure that our customers have a truly representative influence in the running of their neighbourhoods. Since the launch, we've increased customer engagement opportunities by over 150% and increased the number of customers who regularly engage by 84%. We've seen major improvements in the way issues and ideas are communicated and responded to and have been able to increase customer involvement in defining our strategy and policies, from collaborating with us to develop our new complaints process and jointly completing the Housing Ombudsman's Self-Assessment Form, to working with customers to develop our new Customer Promise.

This approach has established Orbit as a sector leader in customer engagement, with our Customer Engagement team and customers presenting our best practise approach at TPAS events and at webinars hosted by the National Housing Federation on our approach to Together with Tenants and our approach to the new Complaint Handling Code alongside the Housing Ombudsman. Customer collaboration has also been the subject of our first ever virtual conference, which brought together our customers, the Orbit board and senior members of our team with other housing associations to discuss best practice.

Launched in March 2021, our Customer Promise has been developed in collaboration with both our customers and our Customer and Communities Board. It aims to put the voice of the customer at the heart of what we do, providing a framework of very clear commitments to our customers and acting as the catalyst to ensure that all teams across the business work together to help our customers and their communities to thrive, whilst also ensuring we deliver on the aims and objectives of the Social Housing White Paper.

As part of our Customer Promise, we have also launched our new Customer website to bring all our services and the support we offer our customers into one place. The new website uses the latest technologies, including web reader, new online chat function, translation support and intuitive technology, to improve access to information and the digital experience, and we've seen a 40% increase in usage since its launch.

A newly branded Estate team's livery showcasing our Green agenda, our transition to Electric and Hybrid vehicles with the use of greener tools

Property Maintenance

The Property Management team provides a physical presence in all our communities to make each neighbourhood look and feel better. They engage with customers on a daily basis and in doing so have had a positive impact on our customers' lives through improving many of our estates.

Despite the current limitations on face-to-face contact, our Property Maintenance teams have undertaken over 130,000 home repairs with a 100% Health and Safety compliance record throughout. While always responding to government guidelines, repair work continued as normal when and where possible. We have continued to support customers with emergency or urgent repairs and have completed 87% of our planned capital programme, despite pandemic restrictions, and introduced a fibre optic partnership with Openreach Ltd. to provide broadband to customers.

With people spending more time in the home during lockdown, there has been a marked increase in normal wear and tear on properties and as a result, the volume of repairs logged increased by 20%. Nevertheless, we have worked hard to protect our customers by observing the social distancing rules to undertake repairs safely and in doing so, we have successfully maintained our repair volume thresholds. It would not have been possible to achieve this without the amazing support of our customers who have been fantastic at facilitating safe access for our repair teams.

Our objective is to get customers into good quality homes as quickly as possible with tenancies that are sustainable. To be confident that our approach is as efficient as possible and provides a positive customer experience, we have been running a pilot project with the Lettings and Property Services teams to explore ways of improving handovers between teams, to re-let homes more quickly and reduce voids to the benefit of all. Early results suggest a positive outcome with a number of continuous improvement actions identified and in plan.

Densification Strategy

The Orbit Densification strategy is driven by our commitment to continually improve the quality of our customer service. By adding properties to areas where we already have a sizeable presence, we can maximise the resources we have available and, through economies of scale, operate in the most efficient way possible whilst also reducing our environmental impact.

As part of this agenda, we purchased housing stock in Oxford, totaling 120 new homes in October 2020. This investment ties in perfectly with the great homes Orbit already owns in Oxfordshire, Warwickshire, Northamptonshire and Buckinghamshire and allows us to maximise operational efficiencies. We also successfully sold 171 shared ownership homes spread across 18 counties in March 2021, securing £14.6m million to support the delivery of more affordable new homes in our key geographical areas.

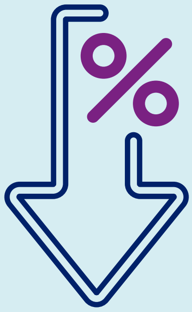
The Social Housing White Paper

We fully support the direction of travel and the ambitions outlined in the Government's Social Housing White Paper, which sets out a seven-point charter of key commitments that social housing residents should be able to expect from their landlord.

Listening to our customers and getting their feedback has always been of primary importance to us. As an early adopter of the National Housing Federation's Together with Tenants, we were already making changes to how we engage and communicate with our customers, but this year, against the backdrop of the pandemic and the introduction of the White Paper, we have accelerated our work to improve our support and services for our customers, and undertaken a detailed gap analysis to ensure full alignment and embedding of the requirements of the White Paper across the organisation. This has seen a number of key initiatives being developed and implemented, including new design and quality standards for our homes and places, creation of a Building Safety Steering Group, plans in place to achieve UK CSI Service Mark accreditation, and a robust customer engagement plan.

Our homes and communal area at our Saxon Gate development

100%
of all new customers deemed to need support sustained their tenancy at 12 months



Arrears at lowest levels for 6 years, with reduction of **39%** versus target

£541.10
is the average monthly income for our customers starting work

2,365
customer coaching sessions delivered across the service

789
customers supported with employment, training or volunteering, with 101 customers successfully moving into paid employment

91%
of all new customers needing support sustained their tenancy at 18 months

Tenancy Sustainment

From the start of the first lockdown, we transitioned our customer service functions to digital delivery and by 19 April 2020 all Tenancy Sustainment interactions had moved to being telephone or digitally-led. As a result, the Tenancy Sustainment team was able to maintain its service with over 4,500 customers referred to our service, a 35% increase from last year.

Of these, 62% were supported by our triage team at first point of contact and provided with support ranging from financial and grants, to employment and wellbeing. Customers who required further support were referred to our Tenancy Coaches. Our Tenancy Coaches work with customers to ensure they can sustain their homes wherever possible and are key to our Tenancy Sustainment team, providing coaching, benefit support, information and advice, and can guide customers to the universal offers that are available through the Better Days website. This year we also upskilled our Tenancy Coaches to be able to support customers to move into training, volunteering or employment.

2,365 of our customers were referred to our Tenancy coaches in this 12 month period and the results of their work have made a real difference to the lives of the customers they have helped, and arrears are at their lowest levels for six years.

Our Tenancy Coaches work with customers to ensure they can sustain their homes wherever possible

BETTER DAYS

have a good day, **every day**

Our Tenancy Sustainment service and Tenancy Coaches help customers with access to benefits and grants, alongside employment and wellbeing support

Better Days

Orbit's Better Days Programme has risen to the unprecedented challenge of the last year by supporting more customers than ever before without compromising outcomes and by exceeding our targets for sustained impact.

We were able to respond quickly to regular changes in the Government's guidelines and support schemes, ensuring our customers were able to stay on top of a fast changing situation, and our teams excelled at providing our customers with the right information at the right time and did everything possible to alleviate our customers' financial burdens throughout this challenging period.

The restrictions imposed by lockdowns and social distancing rules meant that the normal social connections that bind our communities together have also had to adapt. Our Digital Support offer enabled us to ensure customers continued to have access to practical advice, training and assistance, and allowed us to develop new ways for our customers to connect and support each other. The online support networks we were able to establish enabled our communities to stay connected with skill sharing, neighbourhood shopping, medication collection, dog walking and cooking meals for neighbours. Our mental wellbeing support programme, Breathing Space, has also been able to utilise our digital capability to provide help to our customers, including establishing peer support groups, providing first aid advice and assistance, as well as access to journals and a host of other vital self-help services and support networks.

Throughout the year, we have mobilised three new Better Days programmes, each shaped from independent evaluations and recommendations on our previous programmes, to ensure value for money and the best outcomes for customers:

- Our Employment Skills Progression programme supports customers into quality jobs in a range of growth sectors, including construction green skills, customer service and care
- Switch & Save provides the opportunity for employees and customers to save money on energy bills by switching suppliers
- Any Day Direct Debits is a new flexible payment system, which allows customers to manage their finances and more easily align rent payments with their pay day, payment of housing benefit or universal credit. As a result of this campaign, customers paying by direct debit has increased by 13%

We shared the learnings from these independent evaluations with over 400 organisations in a webinar in June 2020 and have expanded elements of our Better Days programme to support seven additional housing associations, enabling collaboration on mental health support within the sector. As a result, our Breathing Space mental health programme now reaches over one million social housing customers as a direct result of this partnership working.

- 83% of those who engaged with our Better Days services progressed to achieve a positive outcome, an increase of 14% on the previous year
- 98% of customers expressed satisfaction with the services provided

One of our new developments at St Anne's, Norwich

Quality Affordable Homes

Maintaining and increasing the supply of affordable homes is core to our purpose. Orbit is one of the UK's largest homebuilders and for the fifth year in a row we have listed in the top ten in Inside Housing's Biggest Builder Survey.

For the year under review, we delivered a total of 848 new homes for all tenures, including market sale, shared ownership, private rent and affordable and social rent. Of that total, 79% were affordable homes for customers throughout the Midlands, East of England and the South East.

As part of our mission to provide quality homes in thriving communities, this year we launched our 'Your Place to Thrive' brand and website, which positions Orbit in the market as an aspirational, contemporary, and responsible developer of affordable housing. Through our land-led strategy of managing developments, from the purchase of the land to the construction of the homes, we are able to manage our development pipeline to deliver on that promise.

We have set ourselves the target of developing 6,500 new homes by 2025 and to invest a further £400 million into improving our existing homes and estates. To date, our development pipeline now totals over 4,700 plots.

In March 2019, Orbit signed a Strategic Partnership with Homes England to deliver 2,762 homes. We have registered 737 starts on site; this is lower than our original forecast as we temporarily paused on site acquisitions whilst we assessed the impact of the pandemic. We have received £100.9 million grant from Homes England since the start of the programme.

> Orbit Homes has set the standard by being an early adopter of our 'Safer by Design' framework that offers achievable ways to reduce the number of domestic accidents. RoSPA wants to make houses of the future safer places to be and we are delighted to have Orbit Homes as a partner in this journey.

Errol Taylor, Chief Executive Officer, RoSPA

Lounge area from one of our homes at our Riverside Place development

Sector-leading Designs

The high standards of design and quality that we demand for the homes we build are a vital part of our mission to developing thriving communities. We are setting ourselves new and demanding goals for creating energy efficient, cost effective and aspirational homes for our customers, and investing in all aspects of design and specification, from the introduction of our own Design Standards for our homes and communities, to our own housetype range.

We want to ensure that our new homes and developments are sector leading and that the processes we have established provide a robust platform which will serve us for years to come, ensuring that we always deliver new homes to be proud of.

Safer by Design

As part of this commitment, we have adopted the Royal Society for the Prevention of Accidents (RoSPA) Safer by Design framework for all new-build homes - making Orbit Homes only the second housebuilder and first builder of affordable homes to do so. There are more than 6,000 accidental deaths and many more serious injuries that occur in the nation's homes every year. RoSPA's Safer by Design initiative is a framework aimed at reducing these tragic figures and the safety standards they set go above and beyond the UK's building regulations. By adopting and embedding the RoSPA framework within our own Design Standards and housetypes, in future all our homes will be built to the Safer by Design Gold Standard. Orbit Homes is determined to be at the forefront of building safety with all our new homes being amongst the safest on the market.

Modern Methods of Construction (MMC)

We see modular housing as an important part of the future of housing in the UK and there are a number of projects being delivered around the country where we are exploring MMC innovations, including our partnership with ilke Homes to deliver our first volumetric MMC development at Wellesbourne. Modular housing significantly reduces the impact on the environment through off-site, energy-efficient construction, minimised material procurement and wastage and reduced transportation required to and from site. The homes look the same as a finished brick-built house but are more energy-efficient, resulting in a lower carbon footprint and reduced heating costs for our customers.

Willett Gardens, Wellesbourne, Warwickshire

35 two and three-bedroom homes consisting of 16 shared ownership and 19 social rented homes. Includes 25 fully volumetric modular homes produced in partnership with ilke Homes and electric vehicle charging points for customers.

The development benefitted from Homes England funding. Groundworks on the site began in August 2020 with delivery of the first modular homes in November 2020.

The Hedgerows at Hellingly Green

A selection of two, three, four and five-bedroom houses in East Sussex. As part of our commitment to working with social enterprises, The Hedgerows has been a pilot site for our partnerships with Community Wood Recycling, who specialise in the reuse of waste wood, and waste management organisation, Recycling Lives, who are recognised as a UK leader for offender rehabilitation, residential support and food redistribution.

Regeneration at Erith Park, London borough of Bexley

A large-scale transformation of 1970s high-rise tower blocks, previously suffering from low demand and a poor local reputation into a modern, thriving community. Erith Park now offers 587 high-quality mixed tenure homes to rent or buy. Property values have increased by up to 40% between initial appraisal and sale and there has been a high demand for rental homes with around 400 applications for every home advertised.

Progressing towards Decarbonisation

Work has continued to improve the energy efficiency of our housing stock as we progress towards the UK's 2050 net-zero carbon target, and we are pleased to be one of 17 Social Housing Decarbonisation Fund (SHDF) Demonstrator projects. The SHDF Demonstrator is a UK-wide scheme which will upgrade around 2,000 social homes currently at EPC rating D or below, using a whole house retrofit approach, with energy efficiency products such as floor and wall insulation and low carbon heating.

In conjunction with Stratford-upon-Avon District Council, we have been awarded £1.45 million by the Government to install sustainable technologies in a number of our homes in Stratford-upon-Avon. Alongside the SHDF, we are investing a further £2.2 million into the project to help us explore the impact of selected sustainable technologies in a retrofit application.

In pushing towards decarbonisation, we have initiated a phased 'fabric first' investment approach for installing carbon reduction measures in our existing homes, with one of our core objectives being to achieve a minimum of EPC Band C for all our properties by 2030. We have delivered excellent progress towards that goal with over 80% of Orbit's homes now rated at Band C or above. The project in Stratford-upon-Avon will allow us to take this work to the next level, generating knowledge and insight, which we can work into our ongoing home improvement programmes and share with the public and private sectors.

80% of Orbit's homes now rated at Band C or above

Energy efficient, solar powered homes at Erith Park, London borough of Bexley

Our net zero carbon plans also require education and engagement with our employees, customers and supply chain partners. Alongside retrofit work to-date, we have run a number of customer awareness campaigns and are implementing a Switch and Save programme to help our customers and employees to switch to green tariffs. We are reviewing the default status of our energy tariffs for void properties and training opportunities for colleagues to support the successful delivery of the net-zero carbon plan, and working with our key supply chain partners to identify and correct skills gaps within the Green Skills arena.

Profit for a Purpose

We entered the year with the UK in lockdown and restrictions on our normal activities, resulting in a loss of construction production in the first quarter. Despite these unprecedented challenges, we have delivered a 9.9% increase in turnover at £355 million compared to last year (2020: £323 million), with rental income net of void loss at £193 million.

A total of 228 market sale properties (2020: 183) and 361 shared ownership properties sold (2020: 329), resulting in property sales of £117 million, which was 30% ahead of the prior year (2020: £90 million).

Other operating costs were £164 million, resulting in an operating profit, excluding fixed assets sales, of £90 million and an operating margin of 25.4%.

The overall operating surplus of £112 million (2020: £130 million) included £22 million of profits from the sales of fixed assets.

Last year's exceptional £45 million of profits from fixed asset sales was boosted by £19 million as a result of the voluntary Right to Buy initiative, delivering 161 completions compared to just 10 completions and £0.7 million in the current year.

Tangible fixed assets increased by £100 million to £2,788 million (2020: £2,688 million), with an increase of 949 to 45,702 social and non-social properties at year end. In addition, the intangible assets increase of £6 million to £18 million this year relates to our ongoing investment in IT-led business transformation programmes.

Delivering Social Value

Our vision is to lead in building thriving communities, and we cannot do that without considering sustainability – of our communities, our services, our homes, local economies and, of course, the environment. Being sustainable on all levels is important to us and that is why we reinvest our profits back into our homes, our services, our communities and to create more affordable homes.

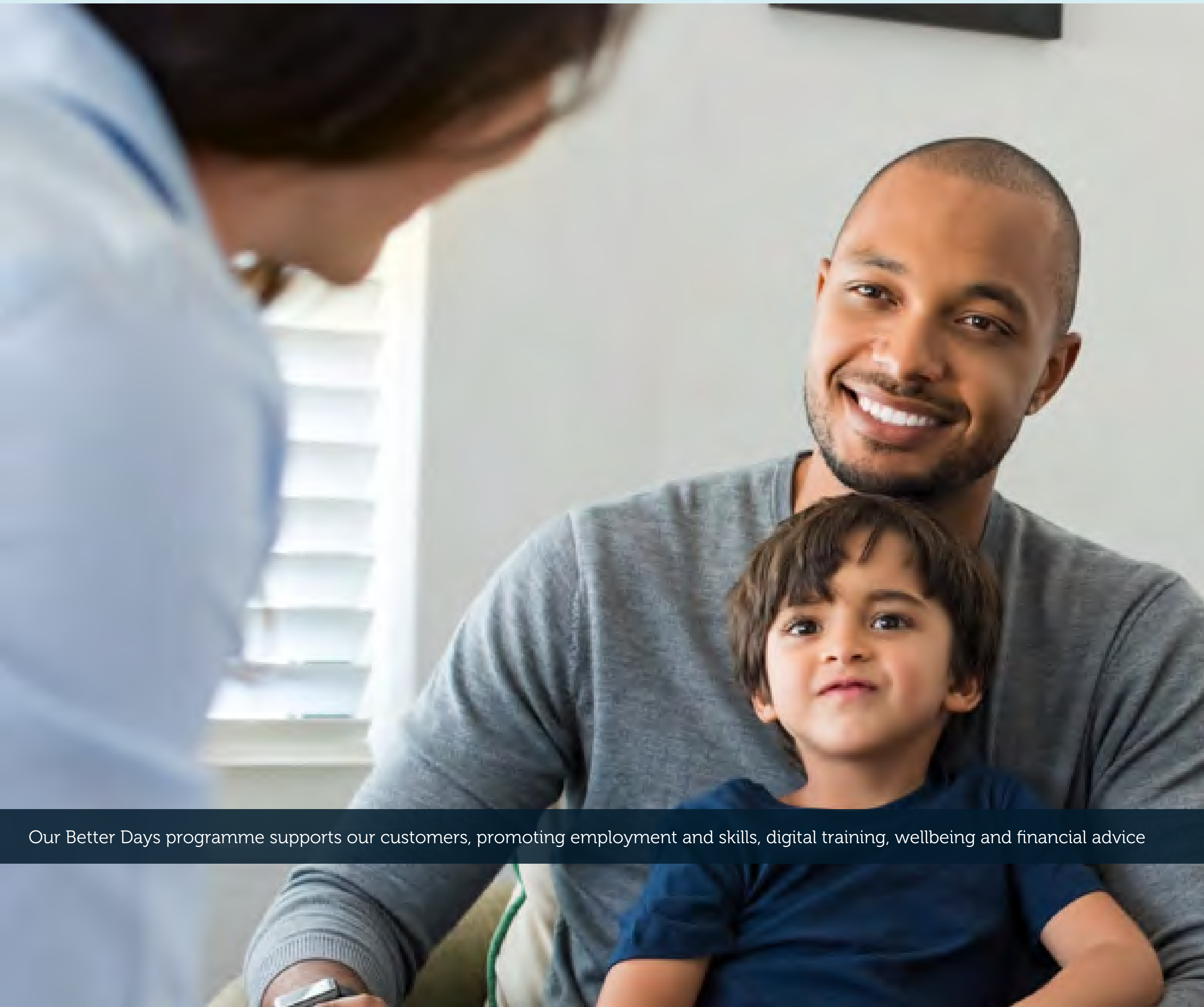
School children learning about the environment at Tanyard Farm, Coventry

Supporting Customers

We support our customers in a number of ways. Our Better Days programme delivers support to our customers through a range of services, promoting employment and skills, digital training, wellbeing and financial advice. Our Tenancy Sustainment service and Tenancy Coaches help customers stay in their homes by providing help with access to benefits and grants, alongside employment and wellbeing support.

Understandably, in this challenging year, more customers than ever before have turned to these services, with these programmes helping:

- Customers to manage nearly £1 million of their debt
- 914 customers supported into jobs and employment related training or volunteering
- 559 of customers evidenced positive progression in their mental wellbeing with Breathing Space
- 2,159 customers to build and improve their online skills and engage in our services digitally
- 152 customers supported into employment, increasing their income with an average yearly amount of £541.10 per customer
- 840 customers are financially better off by £2,978 per year through our employment and financial services
- The investment by the Group calculated through HACT has generated £49.6 million in net social value



Our Better Days programme supports our customers, promoting employment and skills, digital training, wellbeing and financial advice

Breathing Space mental health programme reaching over 1 million people

Breathing Space is a free confidential service offering support and guidance by phone, text, or digitally, for those experiencing difficulties with mental health issues. By tackling the causes rather than dealing with the consequences, Breathing Space aims to prevent problems occurring or worsening. Anyone can refer a customer to this service, with their consent, and customers can also self-refer.

Top-Up project delivers £750,000 back to customers

This Thanet-based pilot project worked to ensure our older customers were getting the benefits that they were entitled to. Focusing on pension credits, disability allowances and benefit checks, the pilot project resulted in an additional £750,000 of direct income for our customers, which they are now receiving annually. The impact of this type of work with customers has ensured that arrears have been paid off, families can heat their homes properly and have a more comfortable living situation.

Kickstart

To help provide employment opportunities for people in our communities, we have signed up to the Kickstart Housing Partnership, led by Clarion Housing Group, with placements secured or in progress in Estates and Property Management in various locations.

The Kickstart Housing Partnership is a consortium of 59 organisations, including 44 in the housing sector, that will create new Kickstart roles for 16-24-year olds under which the government pays 100% of the national minimum wage for a six-month work placement.

Placemaking

In the year we invested £6.4 million into communities, equating to over £8.2 million of social value using the Housing Association Charitable Trust (HACT) social value calculator. This consisted of £3.2 million through our Community Investment Fund and £1.6 million of inward investment, £1.6 million through wider activities within the organisation which support our customers and communities, with the remainder being made up of in-kind investment and resourcing costs.

Our key investments in the last year include our support for Coventry City of Culture. Orbit's home city of Coventry is the UK's City of Culture for 2021 and we are proud to be one of the major partners of this historic event. Due to the pandemic, the normal celebrations and work associated with this event have been delayed until May 2021, but we are working with all its partners on an exciting programme of events. We intend to make the most of this opportunity to bring benefits to the region no matter what the circumstances may be. All major public events and festivals like this depend on the support of the community and volunteers. Our graduates and apprentices have developed a volunteering programme to ensure all the planned events are sufficiently resourced.

The Thriving Communities Awards

Now in their 8th year, the Thriving Community Awards were born out of, and feature, The Brian Griffiths Award. Established in his memory, Brian was a former Orbit board member and Chartered Institute of Housing President, who dedicated his life to helping others. The Brian Griffiths Award is presented to an Orbit customer who has overcome significant social barriers and transformed their life.

As the awards have grown, there are now categories for Orbit's customers or groups who have made a positive contribution to their community (Better Days Award), for Orbit's suppliers and supply chain partners (Stronger Together Award) and, to acknowledge the impact of the pandemic, we included a special 'Lockdown Hero' Award, to recognise the person who had made the greatest contribution to their community during lockdown.

Wendy Waters, Wellesbourne

Wendy, a Wellbeing Navigator at Hastings Medical Centre in Wellesbourne, works alongside the Practice Community Nurse, Heidi Williams, and has spent her time during lockdown visiting customers in general needs homes, extra care schemes and Independent Living properties, to ensure our customers and members of the wider community were supported. She worked tirelessly to ensure that the elderly and vulnerable had wellbeing as well as practical support throughout the lockdown period.

COVID-19 Recovery Fund

In recognition of the impact the pandemic had on our communities, we created a £150,000 COVID-19 Recovery Fund to support community groups and charitable organisations to continue providing much needed support during this unprecedented year.

The funds allocated supported worthwhile causes ranging from at-home learning kits for children and parents, projects supporting mental health and intergenerational engagement and food banks.

At Home in Coventry – Foleshill Creates

Complementing our support of Coventry City of Culture, we have been working with Foleshill Creates, a community art group within one of our communities, to create a series of four virtual workshops exploring what home means through various art mediums.

Residents from across Coventry have participated, and a selection of these pieces will be exhibited at Artspace in Coventry City centre and at Orbit community venues in the Autumn.

Supporting Local Economies and Creating Employment Opportunities

We also deliver social value through our relationships with suppliers, social enterprises and supply partnerships.

We believe that strong financial management and a social value ethos can work together to empower local economies and create employment opportunities. This has resulted in us working with Supply Change to increase our relationships and spend with social enterprises. We now work with over 10 social enterprises, spending in excess of £1.6 million per annum and are actively looking to increase the percentage of spend with social enterprise partners.

We work with supply partners who share our values and play an important role in supporting our communities through the creation of social value. In the last year, our supply partners have contributed over £187,000 towards our programmes.

Through our involvement in partnerships such as the Community Impact Partnership, the South East Local Enterprise Partnership (SELEP - a partnership of organisations to support the social economy in South East LEP region), and the New Anglia Social Investment Partnership (NASIP - a partnership of organisations in Norfolk and Suffolk), we aim to support social enterprises to grow and thrive by accessing business support and finance to increase their impact in the community. This has resulted in us investing over £1 million of finance into social enterprises within our communities and delivering a £300,000 support programme to build the necessary infrastructure for the sector.

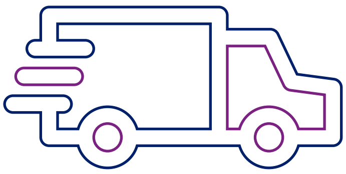
Investing over £1 million of loan finance into social enterprises within our communities

Ethstat

We are proud to be working with Ethstat, an ethical stationery cooperative which guarantees 100% of its profit is given away to help some of the most vulnerable people in society.

Through our working together, in the last 12 months alone we have supported 203 suppliers and 44 social enterprises, who have, in turn, supported 198 communities.

In addition, Ethstat has been able to invest the profit from our orders to support causes focused on addressing homelessness, whilst also creating employment opportunities for homeless people to fulfil our orders at the enhanced London Living wage.



203
Suppliers

198
Communities Benefited

44
Social Enterprises

We're adapting our office space to innovate and collaborate

People - A Great Place to Work

We place people at the heart of everything we do and are proud to have been placed as a Sunday Times 100 Best Companies to Work For, for two consecutive years, and one of the Best 25 Housing Associations to work for in the Best Companies Index. We continue to focus on creating a culture that is supportive for all our employees. The last 12 months have seen a great change and this year more than ever it has been vital to ensure everything we do is safe and fair and that our people have an enjoyable and rewarding working environment.

During the first national lockdown period in the UK, between March and July 2020, Orbit maintained the majority of its services and did not have to furlough any employees. We implemented homeworking arrangements for most of our employees during this time, although some field-based employees, such as construction employees, estate managers and gardeners, were required to continue working on site at the Group's properties.

Agile Working

To address the new circumstances, we implemented a number of new initiatives to support our colleagues, including our WorkSmart programme which was officially launched on 28 September 2020. This is an agile working approach created to help colleagues access resources and support when working remotely. It allows our employees to work from home between two to four days per week, giving them and Orbit the full benefits of a flexible working arrangement that has enabled us to continue building homes and delivering key services without delay or disruption to our customers throughout the pandemic.

There are good reasons why not everyone can work from home, be it the nature of the work - in the case of our field-based employees - or that home working is just not suitable to their circumstances. Regardless of where our people carry out their jobs, we make every effort to ensure they have the support and equipment they need, and are recognised for the tremendous work they do in difficult and unusual conditions.

Our WorkSmart programme has enabled our people to work effectively and provide great customer service throughout the pandemic, regardless of their location or circumstances. The agile working culture we have fostered over many years allowed us to respond to the unprecedented challenges and continue to deliver the best possible working conditions for our employees and the best possible outcomes for our customers.

Wellbeing Support

We also launched #ThisIsMe in October 2020. Our new wellbeing programme, developed to support colleagues through the pandemic and beyond, provides access to Healthy Mind First Aiders, our Employee Assistance Programme, and a range of support tools, videos, podcasts, factsheets, talks and resources to support mental and physical health. The value and success of this programme was recognised by being shortlisted as a finalist in the Legal & General 'Not a Red Card Awards 2020'. These awards are based on their 'Not a Red Card' campaign which aims to help raise awareness, remove stigma and take real action around mental health in the workplace, through providing employers with the support they need to protect their most valuable asset, their people.

Orbit's Employee Ambassadors represent all parts of the business and play a key role in shaping our culture

Equality, Diversity and Inclusion

Our commitment to Equality, Diversity and Inclusion (EDI) means we must work with all our employees, partners and customers to ensure that we always provide all our employees with equal opportunity to fulfil their potential and achieve their career ambitions.

It is our people who best exemplify our values and fulfil our purpose to improve the lives of our customers and their communities. To deliver on our promise of better homes, thriving communities and excellent customer service we always strive to be the best employer we can be.

Our focus isn't just on EDI; we have continued our work around gender balance and are committed to paying for performance equally and fairly, and rewarding and retaining our best people. Since starting to publicly report our gender pay data, we have launched a number of initiatives to increase the equality of opportunity for women and other underrepresented groups, from offering improved maternity and paternity provision, to taking major steps to improve our employer brand to attract a breadth of high quality, diverse talent.

Orbit's EDI Allies and Employee Ambassadors represent all parts of the business and play a key role in shaping our culture and ensuring our employee engagement activities are fully coordinated. Our regular Achieving Together briefings provide updates on our performance, allowing everyone to focus collectively on our priorities and business objectives. These briefings have been especially important this year as they provide a forum for all employees to share information, ask questions and come together as one team to celebrate each other's achievements. As we plan for the future and a return to more normal working conditions with fewer restrictions, our Employee Ambassadors are playing a vital role in shaping our approach to employees' wellbeing, internal communications and future working arrangements.

Due to the exceptional circumstances of the past year, and the tremendous efforts and great work ethic of our colleagues, it is especially important to formally recognise individual achievement. Our Stars in Orbit programme allows employees to nominate colleagues who have a made a significant contribution to the business, and through their hard work and commitment have epitomised Orbit values.

Through our employee volunteering programme, Orbit employees donate one working day a year to worthy causes, enabling our people to spend time supporting causes and organisations that are important to them. The restrictions of the past year have made this difficult, but we have encouraged colleagues to do what they can while keeping themselves and their communities safe.

21.6%
of ethnic employees

66.2%
of promotions made in the last year were for our female employees

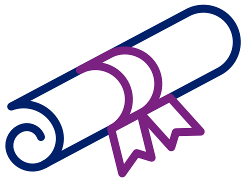
Graduates and Apprentices

We have always believed that a well-trained workforce is essential to the success of any organisation and we have continued to provide all our employees with the opportunity to improve and develop their careers. The Graduate and Apprenticeship programme at Orbit is a vital element in ensuring we attract and retain the best people by providing our new recruits with in-depth development plans and clear objectives. Our graduates rotate amongst the different teams within the business and study for external qualifications relevant to their chosen career path. Our apprentices receive a combination of high quality training programmes and real work experience, and our degree level apprentices combine their workplace training with part-time study at college or university.

Since the start of the Graduate and Apprenticeship schemes in 2017, we have recruited 26 graduates and 25 apprentices, and the success of these programmes has been underlined by the positive impact they have all had within Orbit.

Number of graduates and apprentices moved into permanent roles within Orbit in 2020/21

12



Number of apprentices recruited

26

Number of graduates recruited

25

Training and Development

As well as developing the skills and knowledge of our new recruits, we also maintain group-wide training programmes to support and promote professional development for all our employees. This year over 1,000 of our people have taken part in and benefitted from a total of 3,689 courses.

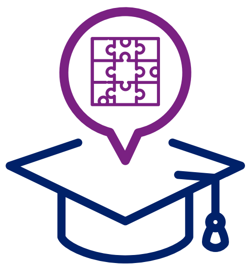
Aligned to our approach to build a safer, smarter, faster and greener business, the latest lockdown situation has provided a great opportunity for us to develop existing ideas around virtual training, and we have introduced a full package of virtual workshops, seminars, training videos, coaching sessions and safety courses.

2,055

training sessions delivered virtually

Number of employees undertaking apprenticeship-levy funded qualifications

52



573

employees attended Diversity and Inclusion training

Compliance & Risk

Everything we do is underpinned by our rigorous approach to governance, financial management and compliance. We are justifiably proud of the high standards we set in these areas and we continue to maintain a strong health and safety culture for the benefit of all our stakeholders.

Having a strong culture of health, safety and compliance across the whole business ensures that all employees understand the importance of taking ownership and responsibility in these areas.

Culture of Health & Safety and Compliance

COVID-19

Keeping our customers safe is the single most important thing we can do as a housing provider and against the backdrop of the COVID-19 pandemic, the significance of this huge responsibility has never been more relevant.

The Orbit Incident Management team through the incident management framework, a core aspect of the Group's risk management protocols, have demonstrated that the entire organisation is properly set up to cope with the risks associated with the pandemic and has ensured that we are well-placed to manage and mitigate potential risks for the business, now and in the future.

Where it has been necessary for our offices to remain open for business-critical purposes, they have been managed to reduce any risk, with rigorous daily cleaning schedules and significantly reduced employment levels to maintain social distancing.

Through the effective safety measures implemented, we have had no onward coronavirus transmissions recorded within the business. Furthermore, the Orbit Homes team Health and Safety assessment reported that through our effective risk management protocols, we have some of the most COVID-19 secure construction sites in the country.

Supporting Fire Safety

We are very proud to be the only affordable housing provider to have achieved BS9997, British Standards in Fire risk management systems. Supporting this, we have developed a brand new app, the first in the housing sector, to raise awareness of fire safety with our customers, employees and the general public.

Using the latest fire safety advice, the app has been developed in conjunction with Firemark Education, a community-interest company which operates at the forefront of fire safety training. The virtual reality app takes the audience through a typical home and identifies potential hazards and fire safety measures which people can adopt in their own homes.

Fire Safety App

Easy to understand with lots of helpful tips, the tour starts by introducing you to Anaesh, our Orbit tour guide. Anaesh then walks users through the home and provides useful fire safety information. Taking a room at a time, the viewer sees icons that highlight fire hazards, safety features and provides links to videos. Each icon is provided either as a voiceover or as written content.

The app is free and available for anyone to download on the App Store and GooglePlay.

> Orbit has received this accolade because they have created a strong safeguarding culture to ensure their tenants remain safe. We congratulate them and recognise their highly effective and robust safeguarding arrangements.
>
> Dr Dan Grant, Leaders in Safeguarding

Leaders in Safeguarding

The safeguarding of our customers is paramount, and we have been determined to build upon the commitments we made as part of the Chartered Institute of Housing's Make A Stand pledge in 2019.

In March 2020, we became the first registered provider of affordable housing to achieve the 'Leaders in Safeguarding' accreditation in recognition of our commitment to keeping adults and children safe. Since then, we have also worked closely with the Domestic Abuse Housing Alliance to ensure we are able to support those experiencing domestic abuse, whether customers or colleagues. This work has included changes in policy, practice and culture to encourage disclosure of domestic abuse and to develop our approach to domestic abuse cases as part of a coordinated community response. As a result, we have also received accreditation from the Domestic Abuse Housing Alliance (DAHA), the UK benchmark for how housing providers should respond to domestic abuse in the UK and recognised in the Government's Ending Violence against Women and Girls Strategy: 2016 to 2020.

Across the business, we have an Executive Director as sponsor for safeguarding, an Organisational Safeguarding Lead and over 20 Designated Safeguarding Leads are in place to provide advice and support. There is also an Organisational Safeguarding Forum which oversees safeguarding arrangements and responds to identified trends and themes.

> Customer safety is clearly a priority, with Orbit committed to working effectively with other agencies in a person-centred way to achieve the best outcomes for customers experiencing domestic abuse.
>
> Sharon Lesley-Crosby, Domestic Abuse Housing Alliance

We continue to partner with RoSPA to deliver exceptional levels of compliance on our construction sites

The Building Safety Bill

We fully support the introduction of the draft Building Safety Bill, which aims to improve building and fire safety, and are already well placed to meet the new requirements. We have a well-established Building Safety Team in place, supported by our Building Safety Steering group which includes customers and board members, alongside senior sector experts who advise on our strategy and delivery.

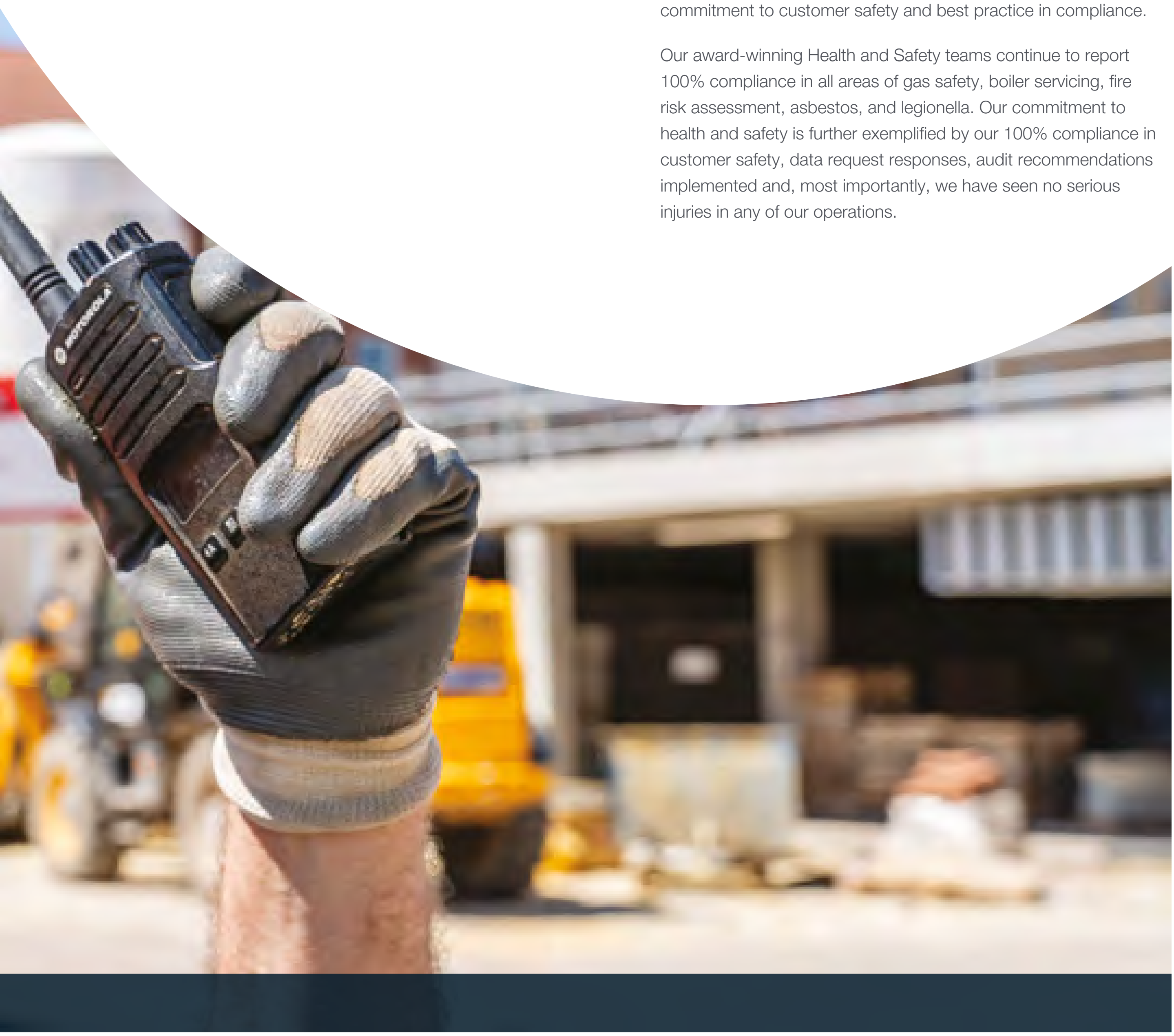
Our long term financial plan includes allowances to manage the impact of regulatory changes proposed and we have a robust plan and resources in place to achieve external wall system cladding certificates (EWS1) for all our stock properties within the next two years.

Safety Record and Awards

We work with various safety experts and organisations to ensure best practice across all areas of the business. We continue to partner with RoSPA to deliver exceptional levels of compliance on our construction sites and have been awarded RoSPA gold awards for customer safety and overall Health and Safety for three consecutive years.

In further recognition of the tremendous work of our people in this area, Neil Yeomans, Orbit's Head of Customer Safety, won the prestigious Royal Society for the Prevention of Accidents (RoSPA) Influencer Award for 2020. The award is granted to individuals that have made the biggest impact in Health and Safety, either at work or in the community in the past 12 months. The RoSPA Health and Safety Awards receive entries from organisations around the world and Neil's outstanding achievement endorses our ongoing commitment to customer safety and best practice in compliance.

Our award-winning Health and Safety teams continue to report 100% compliance in all areas of gas safety, boiler servicing, fire risk assessment, asbestos, and legionella. Our commitment to health and safety is further exemplified by our 100% compliance in customer safety, data request responses, audit recommendations implemented and, most importantly, we have seen no serious injuries in any of our operations.



Our Environment

We have committed to reducing our impact on the environment and have established a programme to achieve this, called Orbit Earth. Under this programme, we will adapt to a changing climate, whilst actively enhancing our environment, creating and improving places and spaces for communities to thrive. Our objectives are to achieve net zero carbon emissions, enhance our green spaces to improve their quality and biodiversity and develop responsible partnerships to develop and manage a sustainable supply chain.

Net-zero Carbon

In order to reach our net-zero target, we have initiated a cross-business Carbon Forum to monitor and manage the Group's Net Zero Carbon approach. The Carbon Forum will provide oversight of the delivery of the Orbit net-zero carbon plan, and by fostering a culture of collaboration and innovation, will be able to explore new technologies and co-investment and funding opportunities.

Actions we have taken to reduce our operational carbon footprint include a significant investment in a large fleet of lower-carbon battery-powered tools. We have installed EV charging points at our Garden Court office in Coventry, with the 'Pod Point' units free for all employees, and additional EV charging points also available at our Stratford-upon-Avon office. Furthermore, we purchase 100% renewable electricity (REGO-certified) for all offices and communal areas where we control the energy procurement. We work with our landlords elsewhere to encourage them to adopt renewable electricity as well.

We continue to invest to improve the energy efficiency of our homes and our new build developments. Our participation in the Government's Social Housing Decarbonisation Fund (SHDF) Demonstrator will further our knowledge on retrofit technologies learnings and support our ongoing home improvement programmes.

As part of our new design specification and housetype range, we have also improved thermal efficiencies of our new build homes, reducing the need for future retrofit requirements, and introduced EV charging points where appropriate and measures to reduce water and energy usage.

Orbit employees helping to enhance green spaces within our communities

Oudoor space and homes at our St Anne's community in Norwich

Greenspaces and Biodiversity

The last year has been a challenging time for Orbit's volunteering and community events. However, we have been able to enhance some of our greenspaces whilst minimising the risk from COVID-19. We were proud to plant 1,020 trees and hedge plants at Applegarth with North West Countryside Kent, SLS and our local estates teams.

We have also developed our partnership with the Wildlife Trusts, who have been assisting us with the creation of detailed habitat surveys of some of our estates. These will help us to develop future enhancement plans that will make them both more enjoyable for our customers but also more biodiverse, with greater varieties of plant and animal wildlife.

Our partnership will primarily look at how we enhance communal outdoor spaces across existing estates, whilst connecting our customers with nature and encouraging them to enhance biodiversity in their private outdoor spaces. Overall aims are to:

- Enhance the biodiversity of the communal outdoor areas of our existing estates by developing a 'manual' of categorised Orbit estate habitats with suggested improvements. These will range from maintenance regimes to delivering capital enhancements designed to ensure 30% of the outdoor areas is available for wildlife. This approach aligns with the Wildlife Trusts 30by30 campaign and we are piloting it on four representative estates to test its viability
- Undertake surveys of our estates to identify existing and potential future green spaces, and assets such as trees and wildlife corridors. Once complete, this data will be used to inform and measure the success of our biodiversity strategy
- Engage with our customers and provide training for our in-house estates team

A member of our Place-Making and Partnership team presenting a Thriving Communities Award to a customer who has made a positive impact to their community

Value for Money

This value for money statement is an extract of the key highlights of the year.
Further information is available in our separate Value for Money report which is available at **orbitgroup.org.uk**

Our Strategy

At Orbit we take a strategic and holistic approach to value for money that ensures the most effective, efficient and economical use of resources to deliver or offer the best services to our customers.

Within this framework, and at the heart of our business, we believe that homes matter to everyone and we continue to combine our social purpose and commercial expertise to build responsible, safe, affordable good quality, energy efficient homes.

Our vision is to provide diverse and thriving communities which enable our customers to feel safe and supported. Whilst achieving this, we aspire to be an inclusive employer with a focus on personal development, growth and wellbeing. Our value for money culture is led by our Group Board and Executive Team, through approval of our value for money policy, financial business plan and business change initiatives. It is embedded in all decision-making processes throughout our organisation, and we ensure our strategy adheres to the Regulator's Value for Money Standard. We are proud to have retained our G1/V2 regulatory rating.

As part of our business transformation, our continuing ambition to deliver long-term value for money through efficient processes, and improving customer satisfaction, we have successfully delivered the core foundation components of our IT transformation, with the Microsoft Dynamics platform now implemented across Finance & Procurement, HR, and Sales & Marketing. These modules went live in July 2020 and are in line to deliver c£2.8 million of benefit this year. Orbit remains committed to developing a Dynamics-first IT solution, however the Board has now approved that we will take smaller implementation phases as the system continues to be enhanced. This will result in both the cost associated with the development and any benefits that are realised being achieved over a longer period of time than initially planned. However, this decision will allow us to be agile in responding to the changing demands and priorities of the sector and ensure value for money for our customers as we implement tried and tested solutions.

We have extended our IT integration to our Estates team with the introduction of Microsoft Dynamics Field Services system, which enables colleagues working on site to work efficiently and effectively to support work prioritisation and increase scheduling efficiency. The system will realise both improved customer service and efficiencies from service chargeable activity in 2021/22.

We are committed to offering a sector-leading, streamlined customer experience and have developed a number of digitally-led improvements to support this. Our new customer website launched in March 2021 incorporates all aspects of our customer service offer including our Betters Days programmes and myAccount portal, and includes increased accessibility features, live chat and a virtual assistant, alongside artificial intelligence-led technology to improve ease of use for our customers.

Alongside this, the launch of our online customer platform, Your Voice, has increased digital engagement opportunities with our customers by over 150% and the number of customers engaging with us by 84%.

Further demonstrating our commitment our customers, we launched our new Customer Promise in March 2021, which has been developed in collaboration with our customers and Customer and Communities Board. This promise puts the customer at the heart of what we do and ensures that all teams across our business work together to enable our customers to thrive in their homes, whilst ensuring we deliver on the aims and objectives of the Social Housing White Paper, enhancing our customer offer, including improved self service.

The changing landscape driven by the COVID-19 pandemic has demonstrated that we are able to operate efficiently with an agile working business model, resulting in over 850 colleagues signing up to work from home on a longer-term basis, only travelling to the office for collaboration. As a result, a considered review of our Office Strategy has resulted in the closure of two of our offices during the year and an existing office space replaced with new collaboration spaces, which reflects our new way of working. We continue to review how we will use our office spaces in the future.

Our Board approved Densification Strategy aligns to our commitment to improve our customer service offer. Adding stock to areas where we have a sizeable presence provides economies of scale and allows us to operate more efficiently. This continued densification of our operating areas also underpins our vision to build thriving communities that meet the needs of our diverse customer base, improve customer experience, and promote change to wellbeing, social cohesion and interaction. As part of this agenda, we purchased 120 homes from Bromford, increasing our presence across the wider 'OxCam Arc', the area around London from Oxford to Cambridge. We also disposed of 171 Shared Ownership homes from non-core areas in March 2021, securing £14.6 million to support the delivery of more affordable homes in our key geographical areas.

Our Procurement Strategy enables us to build relationships with Social Enterprise partners who align to our values as a socially responsible business. We believe that the partnership of strong financial management and social value ethos empower local economies and create employment opportunities through the creation of social value. In the last 12 months we have increased our percentage of spend with social enterprises and invested over £1 million of loan finance and £300,000 into support programme to build the necessary infrastructure to support the social enterprise sector.

We launched our Orbit 2025 strategy in January 2021. This strategy, which is aligned to the Social Housing & Planning White Papers, will 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 and retain the very best people and reduce our impact on the environment.

Value for Money Metrics

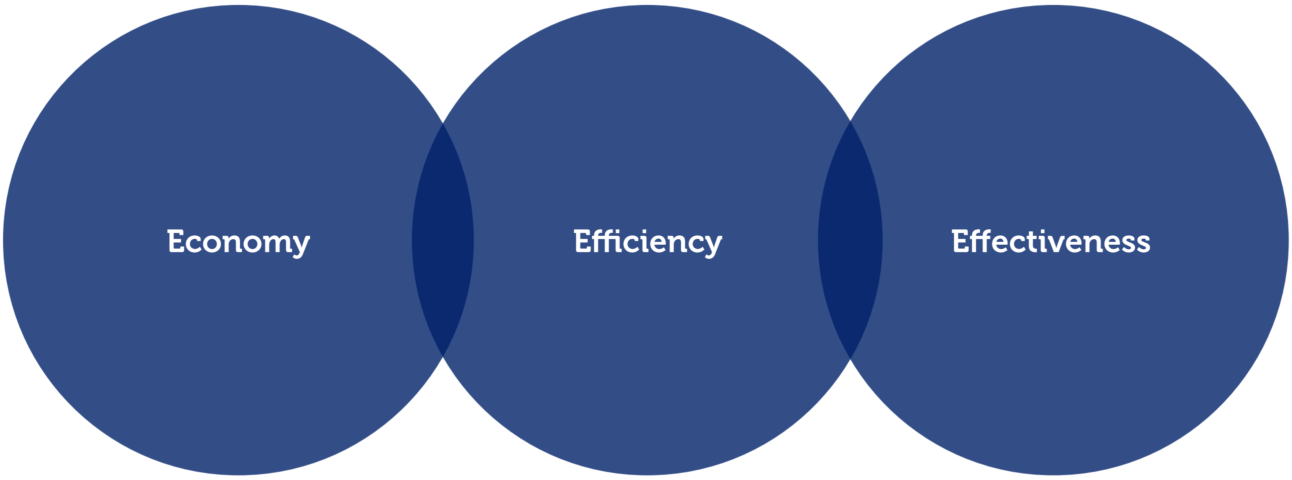
As well as the value for money metrics set out by the Regulator, we also report against our own internal metrics, taking into consideration our social and environment commitments alongside the core thread of governance. These include measuring staff costs as percentage of turnover, rent collection, void rent loss, occupancy rates, customer satisfaction, investment in communities and the percentage of homes achieving EPC band C. These additional metrics, coupled with the regulatory metrics, evaluate the performance of our value chain. All metrics can be aligned with Economy, Efficiency or Effectiveness. The three E's focus on differing aspects and are defined as follows:

Economy: the degree to which objects are being purchased in the right quantity and at the right price, while having regard to quality. This is true of both goods and services that are utilised by Orbit but is equally important when employing staff. It is essential to ensure that staff are employed at the right salary levels, reflecting Orbit's target position of a median benchmarking employer, and that they have sufficient skill sets to carry out the tasks assigned to their role.

Efficiency: is a productivity measure considering how efficiently the project is delivering its results, considering the rate at which inputs are converted to outputs and its cost-efficiency.

Effectiveness: considers the quality of the work by assessing the rate at which outputs are converted into outcomes along with the impact this has. These outcomes can be either qualitative or quantitative in nature and reaffirming that value for money is not simply a financial consideration.

Outlined below are some key highlights achieved this year as a result of our embedded value for money culture.



25.4%
Operating margin

£2.1 million
procurement savings

144.0%
EBITDA

Home Occupancy
97.8%

100.5%
– rents collection, reducing rent arrears

Multi award-winning company
(RoSPA Gold status for Customer Health & Safety, Housing Forum Delegate's Choice award, Leaders in Safeguarding Accreditation)

4.2/5
- Customer satisfaction

201 hours
of staff volunteering

Our customers are **£541.10** better off each month going into work

Benchmarking

To aid benchmarking, we have tracked performance against a representative peer group. This group has been carefully selected through reviewing geographic coverage and property portfolio size. Housing associations included in this benchmark group are as follows:

Midland Heart	**Optivo**
Platform Housing	**Home Group**
Live West	**Bromford**
Sovereign	**Notting Hill Genesis**
Citizen Housing	**Stonewater**

Furthermore, we are also continuing to benchmark against the median for providers with over 30,000 units, as defined by the Regulator of Social Housing. Please note that 2020 metrics for both Orbit and the benchmark groups are from a pre-pandemic period.

Orbit is proud of its commitment and dedication to building new, environmentally conscious homes and thriving communities, which contribute to addressing the current housing crisis whilst also investing in existing properties at scale, with the aim of improving the customer experience and increasing energy efficiency. These activities are at the heart of both our current and future strategy. We firmly believe that our strategy is the right one for us and for our customers. As a consequence, we do not benchmark as favourably against metrics such as operating margin, gearing and EBITDA, or headline social housing cost per unit. Whilst we will always seek to deliver improved value for money year-on-year, we would not expect these scores to change significantly due to the nature of our core strategy and commitment of providing our customers with great places to live. Our future operational priorities for the next 12 months include improved customer service and engagement, full roll out of agile working and increased productivity and further operational efficiencies and spend to support investment.

Affordable, good quality homes

Orbit is committed to the development of new homes, whilst improving standards in our existing properties has seen us invest £183.2 million in our properties this year, as shown in fixed asset additions in Note 12 (2020: £271 million). We are proud to have retained our status as a top 10 housebuilder for the fifth consecutive year and our focus on quality and design has been recognised with awards, including a Silver Considerate Constructors Scheme award for our Arden Quarter development in Stratford-upon-Avon, Gold Award for Customer satisfaction Outstanding Achievement award from In-House Research, a Pride in the Job Quality award for excellent site management by the National House Building Council (NHBC), and an RHS Britain in Bloom award. This recognition demonstrates our continued commitment as a responsible provider with a sustainable approach working with our communities.

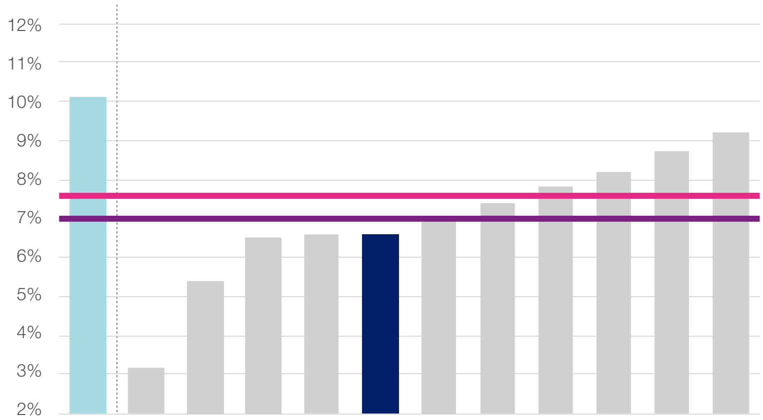
Our focus on delivery of high quality homes across multiple tenure types is not restricted to the development of new properties and we continue to invest in maintaining the quality of our existing stock portfolio. In the last 12 months, we have invested in excess of £26 million into our capital delivery programme to maintain and improve standards for our customers. This has been recognised through attaining two ROSPA gold awards for maintaining our 100% Health & Safety ratings, demonstrating our commitment to ensuring our customers' wellbeing.

Critical to this is our energy efficiency programme to ensure that we move towards the Government's 2050 zero carbon target and create homes for our customers that are safe and efficient to run.

Our commitment to tackling climate change has seen us working with the Chartered Institute of Housing to outline how the government and housing sector can work together to contribute to reducing our carbon footprint. As part of the National Housing Federation's Homes at the Heart campaign we published a joint briefing which re-established the case for urgent action and set out what needs to be done; housing is large part of the zero carbon challenge and Social landlords have a fundamental part to play, but for this to be a success, a robust policy framework, financing options and innovative technological solutions are required.

Reinvestment (%)

Investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.



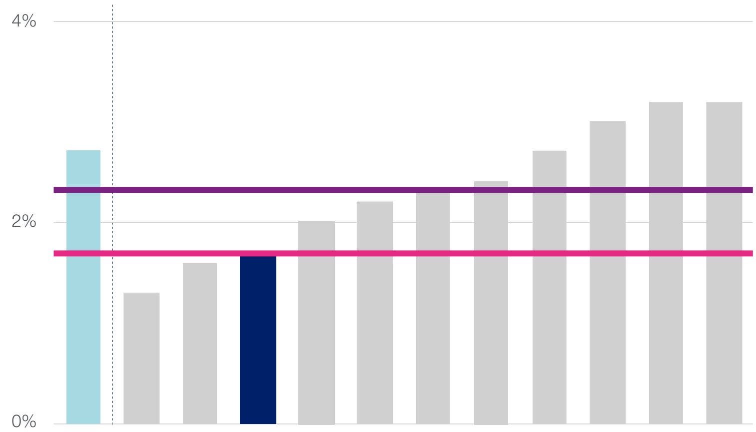
This year, Orbit's reinvestment percentage has decreased by 3.5% to 6.6%, largely driven by a reduced capital programme, which was impacted by COVID-19. We delivered 848 units in the year (2020: 1,520). This is 0.4% below our peer group average and 1% below the benchmark for housing associations with 30,000+ units.

Orbit remains committed to building thriving communities, with a 8.4% target for 2022 reflecting increased investment in both existing and new stock.

Value Chain Alignment	Key:	Orbit 2020: 10.1%	Orbit 2021: 6.6%	Orbit 2022 Target:
Economy	Peers 2020	Peer Average: 7.0%	Benchmark: 7.6%	8.4%

New Supply (Social) (%)

Number of new housing units acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end.



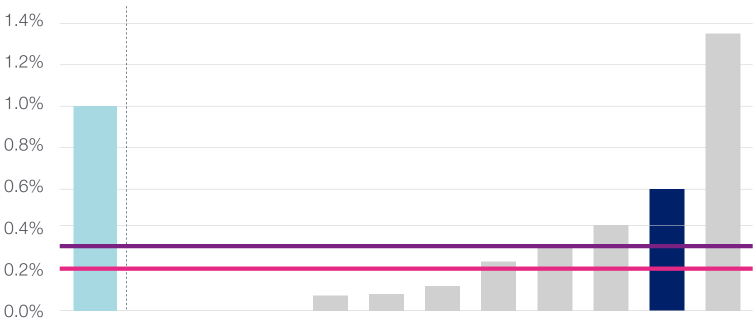
Value Chain Alignment	Key:	Orbit 2020: 2.7%	Orbit 2021: 1.7%	Orbit 2022 Target:
Economy	Peers 2020	Peer Average: 2.3%	Benchmark: 1.7%	2.2%

Orbit has achieved a New Supply Social percentage of 1.7%, which is a 1.0% decrease from the prior year and 0.6% lower than our peer group average, and is in line with the benchmark for housing associations with 30,000+ units.

We have delivered a reduced number of units in the year as COVID-19 restrictions forced us to close our construction sites. 418 social/affordable rented homes were delivered during the year (2020: 527) as well as 231 shared ownership homes (2020: 581). We continue our commitment to contribute to addressing the UK's housing crisis and our 2022 target reflects this. Orbit's primary focus is to deliver good quality affordable homes to meet a range of customer needs and in 2022 our development pipeline is geared up to deliver in excess of 1,000 new homes, the majority of which will be social in nature.

New Supply (Non-Social) (%)

Number of new non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end.



Value Chain Alignment	Key:	Orbit 2020:	Orbit 2021:	Orbit 2022 Target:
		1.0%	0.6%	
Economy	Peers 2020	Peer Average: 0.3%	Benchmark: 0.2%	0.5%

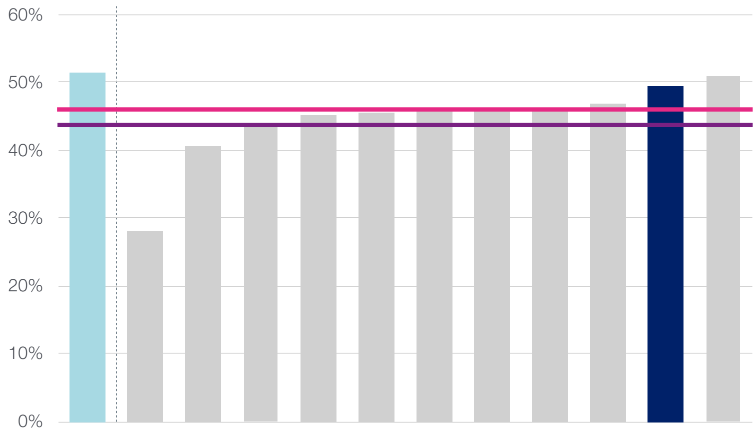
Orbit has achieved a New Supply Non-Social percentage of 0.6%, a 0.4% decrease from the prior year. This is 0.3% above our peer group average and 0.4% above the benchmark for housing associations with 30,000+ units.

Orbit has this year focused on delivering social housing stock against the challenges of the pandemic. We delivered 180 homes for market sale (2020: 269). These profits will be reinvested into new affordable homes, as can be seen in our New Supply Social metric.

Our targets for non-social development for 2022 are broadly in line with 2021 delivery, as we continue to build homes that meet a variety of needs.

Gearing (%)

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.



Value Chain Alignment	Key:	Orbit 2020: 51.3%	Orbit 2021: 49.5%	Orbit 2022 Target:
Economy	Peers 2020	Peer Average: 43.8%	Benchmark: 46.0%	50.5%

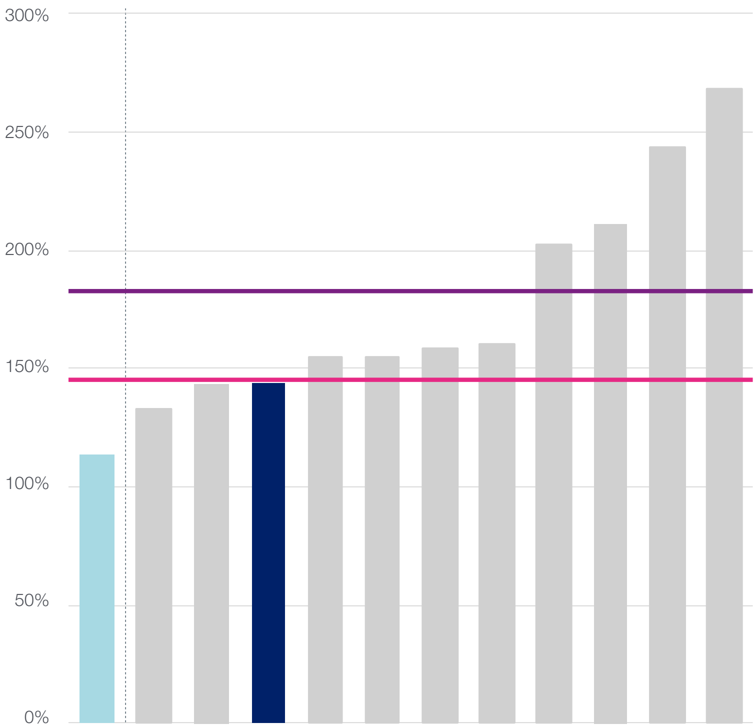
Orbit's continued strategic commitment to playing its part in addressing the national housing crisis through developing new homes and creating thriving communities, is reflected in this gearing metric. Furthermore, we have actively chosen to increase the level of investment in our property portfolio to continue to raise the quality level of our existing stock.

As a result, we have leveraged our balance sheet to support our strategic objectives resulting in a gearing percentage of 49.5%, 1.8% lower than the prior year. This is 5.7% above our peer group average and 3.5% above the benchmark for housing associations with 30,000+ units.

We are expecting a slight increase in 2022 before an anticipated reduction in future years. The initial rise is due to reduced cash holdings increasing our debt position which is only partially offset by our increasing asset base.

EBITDA MRI (%)

Key indicator for liquidity and investment capacity. Measures the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.



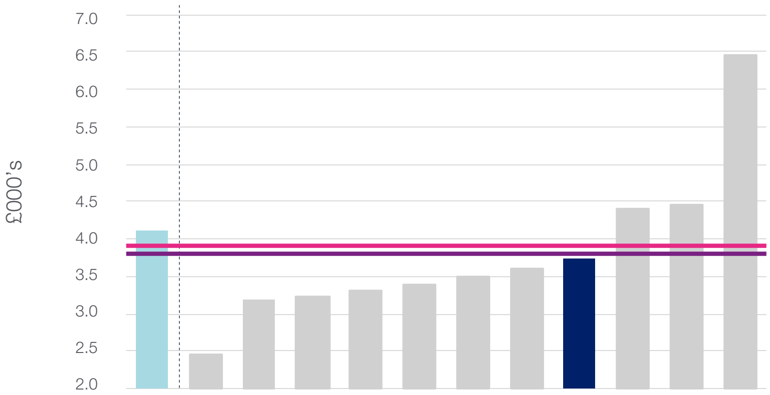
Value Chain Alignment	Key:	Orbit 2020: 113.7%	Orbit 2021: 144.0%	Orbit 2022 Target:
Economy	Peers 2020	Peer Average: 183.0%	Benchmark: 145.0%	130.4%

Our EBITDA MRI metric has improved year-on-year, by 30.3% to 144.0%, due to the prior year being impacted by loan break costs. However, it remains lower than the majority of our peer group, reflecting our strategic positioning and the higher volume of lower margin house sales that Orbit builds. The current year metric also includes £2.2 million of finance restructure costs, excluding this would see our metric at 149.0%.

Our 2022 target reflects our ambition to continue to drive efficiencies and has a number of initiatives to lower costs. These include improved procurement activity and the impact of our new agile way of working, both creating efficiencies. However, Orbit remains committed to delivering new housing stock and improving the homes of current customers, which will continue to put pressure on both the overall operating margin and EBITDA, with significant improvements in these metrics remaining unlikely. Orbit will continue to measure the efficiency of its operations through close monitoring of the Social Housing Lettings operating margin.

Headline Social Housing Cost Per Unit (£000's)

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator.



Value Chain Alignment	Key:	Orbit 2020: £4.112	Orbit 2021: £3.742	Orbit 2022 Target:
Economy	Peers 2020	Peer Average: £3.801	Benchmark: £3.900	£4.264

This year, Orbit has achieved a Headline Social Housing Cost Per Unit of £3.742, which is a £370 decrease from the prior year, £59 below our peer group and £158 below the benchmark for housing associations with 30,000+ units.

The impact of COVID-19 has led to a year-on-year decrease in Routine Maintenance and Major Repairs, however our increase in Planned Maintenance has ensured that we support Orbit's continued investment in our homes, with our focus now moving to consistent design standards to yield efficiencies in the future.

Management cost increases reflect investment in customer service via our Customer Hub and also our IT-led business transformation programme, however we remain significantly below the benchmark peer group. Our 2022 target will see a small increase versus our 2020 position as we return to a more normal year post COVID-19 reflecting our commitment to deliver good quality homes for our customers.

Cost per unit (CPU)	Orbit 2021 (£000)	Orbit 2020 (£000)	Peer Average 2020 (£000)
Management cost per unit	£0.750	£0.615	£1.040
Service charge cost per unit	£0.642	£0.539	£0.574
Maintenance cost per unit	£1.240	£1.356	£1.164
Major repairs cost per unit	£0.672	£1.027	£0.688
Other social housing costs per unit	£0.438	£0.575	£0.335
Total	£3.742	£4.112	£3.801

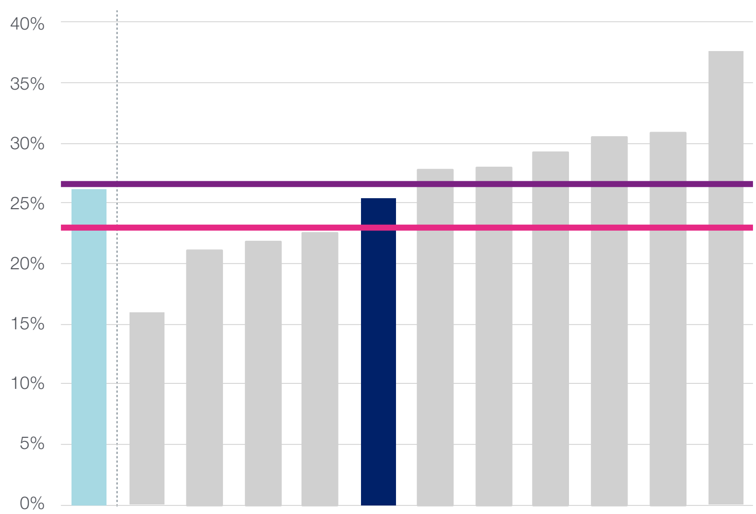
Orbit has seen an increase in year-on-year expenditure regarding Management and Service Charge costs per unit. This is in line with our Development Strategy and shows our commitment to not only build but also maintain good quality affordable homes. There has been a decrease in maintenance, major repairs and other social housing costs per unit. The increase in management costs is largely driven by our Customer Hub and IT-led business transformation programmes, with key upfront investments yielding returns in future years. We continue our investment within our communities via the Community Investment Fund. Additionally, we have become a living wage employer and invested in leadership and development programmes for our people, which has a small impact on our management costs.

Profit for a Purpose

Orbit's financial delivery, given the economic climate impacted by Brexit, the US elections and full year impact of COVID-19, has been strong. Our reserves have continued to increase, and this, coupled with our liquidity position, leaves us well placed to deal with any challenges that arise. Our target reflects our commitment to achieving efficiencies around discretionary spend and maintaining a margin above 25%.

Operating Margin Overall (%)

The Operating Margin, which excludes surplus on sale of housing properties, demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business.



Value Chain Alignment	Key:	Orbit 2020:	Orbit 2021:	Orbit 2022 Target:
		26.1%	25.4%	
Economy	Peers 2020	Peer Average:	Benchmark:	25.2%
		26.5%	23.0%	

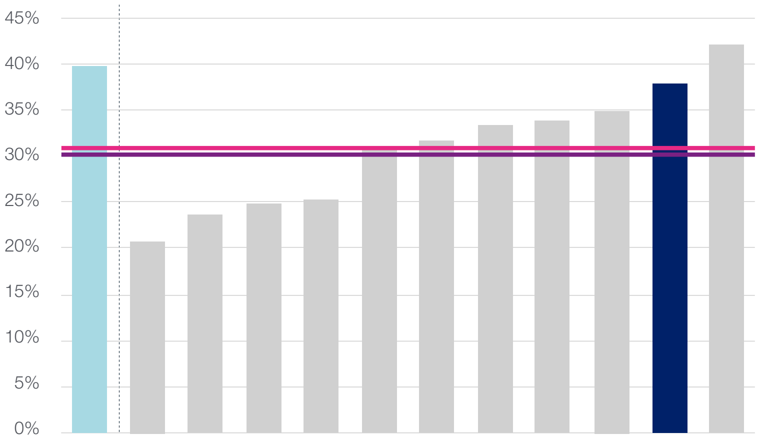
Operating Margin of 25.4% has been achieved, which is 0.7% lower than the prior year and 1.1% below our peer group, however, it has exceeded the benchmark for housing associations with 30,000+ units by 2.4%.

Our Operating Margin has been impacted by the pandemic. Elements of unrecoverable service charge costs and the decision to cap the amount charged to Independent Living customers, alongside increased depreciation and our continued investment in our IT systems have also affected this metric. Orbit is committed to developing more new housing stock in order to contribute towards the UK housing crisis. As operating margins on sales of houses are lower than for social housing letting, our overall operating margin is suppressed and runs at a slightly lower rate than that of our peers.

For 2022, we are expecting a similar margin level to our current year delivery reflecting our increased investment in our housing assets.

Operating Margin (Social Housing Lettings (SHL) Only) %

Demonstrates the profitability of operating assets before exceptional expenses are taken into account.



Value Chain Alignment	Key:	Orbit 2020: 39.7%	Orbit 2021: 37.7%	Orbit 2022 Target:
Economy	Peers 2020	Peer Average: 30.1%	Benchmark: 30.8%	36.4%

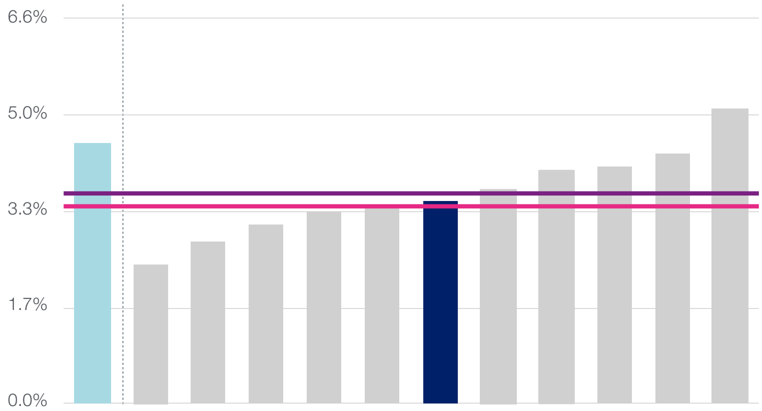
Orbit has delivered an Operating Margin (SHL) of 37.7%, a 2% reduction from the prior year, however this remains 7.6% above our peer group average and has also exceeded the benchmark for housing associations with 30,000+ units by 6.9%.

This metric demonstrates the strength of Orbit's underlying Value for Money strategy and ethos, highlighting our efficiency and effectiveness in the core social aspects of our business.

Our expected metric for 2022 remains strong at 36.4%, albeit a marginal year on year reduction reflecting our increased investment in our housing assets.

Return on Capital Employed (%)

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric would support registered providers with a wide range of capital investment programmes.



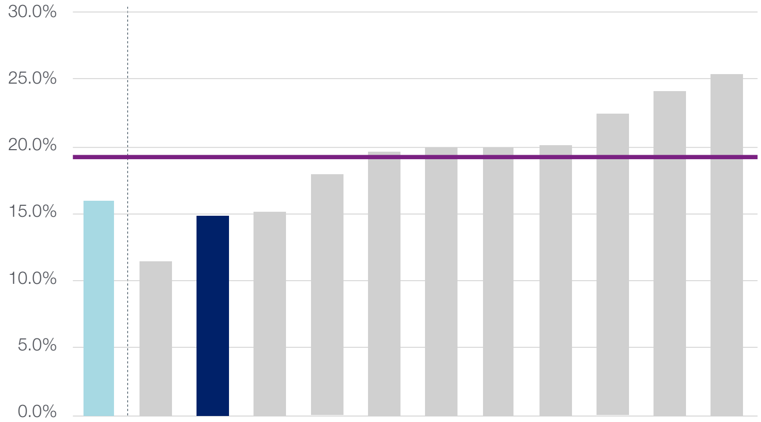
Value Chain Alignment	Key:	Orbit 2020: 4.5%	Orbit 2021: 3.5%	Orbit 2022 Target:
Economy	Peers 2020	Peer Average: 3.6%	Benchmark: 3.4%	3.7%

Orbit's Return on Capital Employed percentage of 3.5% is a 1% decrease from the prior year, 0.1% below our peer group average and 0.1% above the benchmark for housing associations with 30,000+ units.

This is impacted by increased cash holdings at the end of the financial year as a result of our bond issue plus lower levels of fixed assets sales than the prior year due to the end of the Voluntary Right to Buy pilot.

We continued development of new homes, investment into existing stock and investment in our IT and Customer Service systems and our 2022 target reflects our ongoing commitment to this.

Staff costs as a percentage of turnover (%)



Value Chain Alignment	Key:	Orbit 2020:	Orbit 2021:	Orbit 2022 Target:
		16.0%	14.8%	
Economy	Peers 2020	Peer Average: 19.2%		14.8%

Orbit staff costs as a percentage of turnover are 14.8%, which is a 1.2% decrease from prior year and 4.4.% below our peer group average.

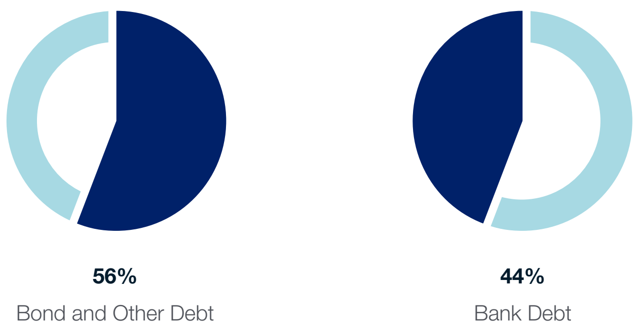
Our continued focus on value for money ensures that we are utilising our resources efficiently to maximise the returns achieved and ensure that we continue to generate profits to be reinvested back into building thriving communities.

We invest a lot into our graduate and apprenticeship programmes. Pictured here is one of our construction graduates working on site at our St Anne's development, Norwich

Capital Structure and Treasury Policy

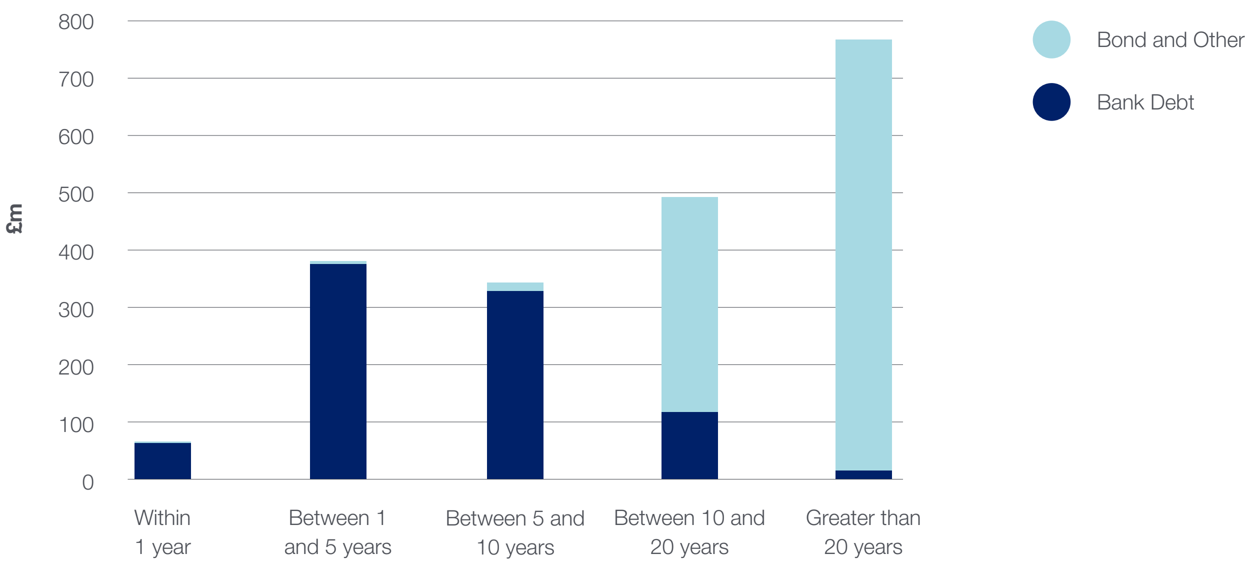
As at 31 March, the Group had £2,055 million of committed debt funding. Drawn funding totalled £1,713 million, an increase from 2020 (£1,478 million). The Group seeks to maintain diversification in its funding sources with 44% coming from seven banks and building societies and 56% from capital markets. We issued a £300 million bond in November 2020 at a competitive coupon rate of 2.00%. Our A3 stable credit rating was reaffirmed by Moody's in June 2021.

Bank vs Other Debt



The Group's re-financing risk in the next five years is £453 million, (22% of loan facilities) with over 78% of the Group's debt maturing after five years.

Debt Repayment Profile



As at 31 March, the Group maintained £342 million of committed undrawn facilities available for immediate drawing and £313.8 million of cash-in-hand, representing total available liquidity of £655.8 million. These resources are considered sufficient to fund three years' worth of commitments.

The adequacy of future funding and liquidity is controlled via policy limits as follows:

i) Sufficient cash to cover the next three months' forecast net cash requirements;

ii) Sufficient cash and secured loan facilities to cover the next 12 months' forecast net cash requirement; and

iii) Sufficient cash and committed loan facilities (secured and unsecured) to cover the next 24 months' forecast net cash requirement.

Key Indicators

	2020-21	2019-20
Months cash/secured loans available	36	36

All committed facilities are secured by fixed charges. At the year end, the Group held approximately 9,900 unencumbered properties available for use for new loans. These properties are conservatively estimated to provide potential security for a further £766 million of new loans. This ability to raise new loans may enable us to develop a significant number of new homes in the future.

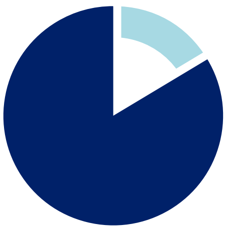
Available Liquidity

£313.8 million
cash

£342 million
undrawn committed

Total Committed Funding

£342 million
undrawn debt



£1,713 million
drawn debt

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

The Board regularly monitors interest rate risk and at the year end this resulted in a portfolio that was 76% fixed.

During the year the Group executed the breakage of some fixed embedded (£30 million) and standalone (£75 million) interest rate swaps, resulting in break costs of £15.9 million.

The Group's average interest cost for the year is 3.79% reflecting the fixed-rate hedging noted above. The Group does not have any non-sterling or exchange rate exposures.

Hedging Mix %

93% fixed loans, embedded and standalone

6% callable and/or cancellable

1% RPI

The Group maintains a desired interest rate profile through a mixture of embedded instruments (including fixed-rate bank loans and bonds) and stand-alone swaps (including fixed and index linked derivatives with bank counterparties). As at the year-end, 91% of the Group's hedged activities were undertaken through fixed loans/bonds, embedded instruments and stand-alone swaps.

The Group's weighted average duration of standalone swaps is just under 13 years. This limits the impact of an increase in interest rates.

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

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

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

Cash Flows

The Group net cash inflow from operating activities during the year was £162.6 million (2020: £55.8 million). The principal sources of cash inflow remain as rental income and proceeds from the sale of housing properties. The principal sources of cash outflow for Orbit were the costs associated with the provision of housing accommodation, the acquisition and construction of housing properties and interest payable on loan facilities.

Business Overview

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

On 31 March 2021 Heart of England Housing Association Limited transferred its engagements to Orbit South Housing Association Limited, and the newly merged entity was renamed Orbit Housing Association Limited.

Orbit Group Ltd

- The parent company of the Orbit Group
- Registered Provider
- Owns the majority of the Group's shared ownership properties

Orbit Homes

- Provides design and build services, homes across a range of tenures, including market sale, shared ownership and rent, to Orbit Group Limited and its subsidiaries
- Incorporated 20 August 2009

Orbit Housing Association

- Registered Provider
- Owns and manages Orbit's properties in the Midlands, East and South East
- Incorporated 31 March 2021

Orbit Capital

- Issues asset backed securities
- Issuing entity of existing £250 million 3.500% due 2045, £450 million 3.375% due 2048, and £300m 2.000% due 2038
- Incorporated 22 January 2015

Orbit Treasury

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

Risk Management

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

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

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

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

1) Clear understanding of our risk environment, incorporating internal and external factors;

2) Robust approach to identifying and monitoring key risks;

3) Putting in place early warning measures and risk triggers so that we can act before a risk materialises;

4) Close monitoring of our Strategic Business Critical Risks;

5) Regular stress testing of our Financial Plan in line with the appetite set by the Board;

6) Clearly defined appetite for risk approved by the Board.

Risk Analysis

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

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

Business Critical Risk	Key mitigations strategies
1) Material change (internal and external) adversely impacting upon the key assumptions within the Financial Plan.	• Development sites have re-opened and the mix of affordable vs market sale has been de-risked. • All current vacancies, fixed-term contracts and agency workers have been reviewed. A new process has been put in place to approve these. • Revised stress testing of the Financial Plan. • Weekly reporting on rental collection focussing on the impact of Universal Credit. • New Procurement Framework has a focus on reducing the cost of Orbit's supply chain. • Close management of sites and responding to our Early Warning Indicators.
2) Condition of existing stock in a poor state.	Monitoring and reporting of: • Asset Management Strategy. • Capital Delivery Programme.
3) Negligence/poor working practices leading to an unsafe working environment.	• The key areas of the Health and Safety dashboard are positive. • A number of COVID-19 safety controls have been put into place across all of the working environments. • The risks of property non-compliance (i.e. fire, gas etc.) have been managed well during the COVID-19 period. • Construction risks are being managed well since the sites were re-opened in late Q2.
4) Unable to properly respond to a cyber-attack.	• Multi Factor Authentication (MFA) and email security (Egress) rolled out to the business. • New Network & Detection Tool (Vectra) has been implemented to improve monitoring of unusual events and includes Artificial Intelligence (AI) learning. • Phishing tool implemented and awareness programme underway. • Mandatory security/phishing training being delivered. • Regular penetration tests established.

5) The delivery of the Development Programme is not managed effectively leading to unacceptable levels of financial and operational risks.	• Dedicated internal Health and Safety teams are in place and regular internal management visits, senior management site visits and external Health and Safety inspections are performed on all sites by a specialist third party.
	• Robust land acquisition and approval process with agreed tenure mix. Extensive market research undertaken prior to acquisition of land.
	• Detailed market research is undertaken on each site before acquisition, and regularly during delivery of each development, to ensure that supply is matched by demand in each location.
	• The Homes division has adapted their Sales Strategy to the COVID-19 pandemic, with increased use of digital media and virtual tours.
	• Monthly reviews of:
	  • Development cash flows.
	  • RBS interest cover headroom and 24 months' forecasting of quarterly headroom and interest cover.
	  • Work in Progress (WIP) levels and unsold stock.
	  • Movement in mortgage approvals.
	• Weekly reservation reports.

6) Inability to move the business towards a more consumer focused regulatory environment.	• Working groups have been set up to address key items of legislation:
	  • Building Safety Green Paper.
	  • Social Housing White Paper.
	  • Energy White Paper.
	• Executive Director of Corporate Services working with the Strategy team to undertake a group-wide impact assessment of all new legislative/regulatory changes of Orbit's Governance.
	• Business focusses on delivering an excellent repairs service which will materially help the risks associated with operating in a new consumer regulatory environment.

Movement of Risks During the Year

The impact of COVID-19, the new trading relationship with the EU and the changes to the housing regulatory environment has led management to include development activity and regulatory changes as Business Critical Risks.

The delivery of the Apollo Project, which led to the implementation of Microsoft Dynamics 365 for Property Sales, Finance, Payroll and HR processes has been completed and is no longer a Business Critical Risk.

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

Risk Appetite

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

Stress Testing

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

1) Economic downturn

2) Political pressures

3) Brexit – 'perfect storm'

4) Counterparty risk – bank failure

5) Property market collapse

The above scenarios are approved by the Audit and Risk Assurance Committee and are used to stress test the Financial Plan. These are being reviewed for 2021/22.

Governance

Name	Appointed
The Rt Hon. Baroness Tessa Blackstone Chair	1 February 2013
Steve Brown FCA	1 February 2013 (retired 28 February 2021)
Helen Gillett	1 February 2019
Stephen Howlett CBE, DL	1 November 2018
Mark Hoyland MRICS	26 May 2018
David Weaver MBA	14 September 2016
David Young CBE, DBA	10 July 2013 (retired 9 July 2020)
Stephen Stone	1 April 2019
Stephen Smith	1 February 2021
Massy Larizadeh	1 March 2021

The Board can comprise up to 12 members but currently there are eight. The Board is responsible for governing the affairs of Orbit Group Limited and Orbit as a whole. Board members are drawn from a wide background bringing together professional, commercial and public sector experience. The primary role of the Board is to focus on strategic direction, growth and risk. The Board meets formally at least five times a year for regular business and at other times to discuss strategic issues.

All members of the Group remunerate their Board members for undertaking their duties and responsibilities. The Board members delegate the day-to-day management to the Group Chief Executive and the Executive Directors who form the Executive team. The Executive team members are listed on page 17. The Executive team met at least monthly throughout 2020/21 and the Directors attend meetings of the Group Board and subsidiary boards.

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. Whilst our non-charitable subsidiaries are not required to comply with the Code, they undertake to adhere to the spirit of the Code. We comply with the Code of Governance in all material aspects and with the Regulator of Social Housing's Governance and Financial Viability Standard. We have developed our own Probity and Severance Policy, which picks up the key principles of the NHF's Code of Conduct. In addition to this Policy, we have our own code of conduct for Board members.

Governance and Viability Standard

Orbit complies with the Governance and Viability Standard of the Regulator of Social Housing (RSH). Our governance rating is G1 and our financial viability rating is V2.

General Data Protection Regulation (GDPR)

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

Shareholding Policy

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

Committees of the Board

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

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

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

Development Committee - oversees the development and sales activity of the Group and the implementation of the Development Strategy set by the Orbit Group Board. The Committee regularly monitors and reviews development activity against the approved Development Programme, Budget and Group Financial Plan. It also ensures that development risk – notably health and safety – is identified and managed effectively in accordance with the Group's Risk Management Strategy.

Customer Involvement

We are committed to providing customers with an opportunity to feedback on their experiences, hold us to account on our performance, scrutinise our services, suggest recommendations for improvement and influence future decisions. Customers are represented on the Orbit Housing Association Board and a range of engagement opportunities have been developed for customers to scrutinise, hold us to account for our performance and have input into shaping service delivery as part of us embedding Together with Tenants, the National Federation of Housing's charter on strengthening relationships between tenants and housing associations. This ensures we meet regulatory requirements and good practice in terms of governance and customer involvement.

Customers can engage with Orbit through individual methods such as complaints, social media and our perception and transactional surveys. This feedback and insights are then used to apply learning and drive service improvements. They can take part in local engagement activities such as estate inspections, scheme meetings and local events in their community to be able to influence decisions and services in their homes, neighbourhoods and communities.

Our performance information is shared with customers on a quarterly basis alongside 'Voice of the Customer' data for them to select a scrutiny topic. Customers can then take an active role in scrutiny by becoming a Scrutiny Champion or just take part in a one-day workshop to address a problem and identify solutions. In addition to this, they can engage with us 24/7 through our digital engagement platform. On this platform they can find out information such as engagement activities, training sessions, view our Board meeting notes and take part in surveys, polls and discussion forums.

We provide opportunities for customers to take part in all aspects of procurement, complete virtual customer inspections of our empty homes and run several focus groups and activities through face to face methods, webinars and conference calls. Finally, we have a Steering Group and working groups who focus on embedding Together with Tenants across the organisation and progress by customers is presented to our Orbit Housing Association Board twice a year.

The key focus of the approach to engagement is making it easier for customers to participate in activities, thereby encouraging a wider and diverse range of people to take part. All of our activities are delivered across multiple channels to ensure they are accessible for all. This ensures that engagement with our customers leads to better services and improved value for money. The Annual Report to Customers summarises performance against the key regulatory standards.

Subsequent Events

On 11 March 2020 the World Health Organisation declared the Coronavirus outbreak a global pandemic. Management recognise that this represents a current-period event that has required ongoing evaluation to determine the extent to which developments after the reporting date should be recognised in these Financial Statements.

Management have not identified any subsequent events to report.

Going concern

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

On behalf of the Orbit Board

The Rt Hon. Baroness Blackstone Chair

20 July 2021

Statement of Internal Control for Orbit Group

Purpose

The Statement of Internal Control provides an opinion to internal and external stakeholders on how effectively Orbit governs its business so as to manage the key risks to the successful delivery of its business and Financial Plan.

Sources of assurance

A key element of providing this opinion is based upon Orbit's internal control environment framework, which pulls together assurance from a number of sources on a quarterly basis. This feeds 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;
- Management of personal data;
- Business Continuity Planning and Incident Management System;
- Corporate risk management and stress testing;
- Governance/legal/regulatory compliance;
- People management;
- Policy/Procedure management.

Outcomes

During 2020/21 the outcomes from key areas of assurance have been positive and management continues to recognise continuous improvement is fundamental, particularly as the operating environment for the sector evolves. It is important to note the following highlights:

1) External audit opinion is unqualified.

2) The outcomes from internal audit reviews have concluded that the system of internal control, governance and risk management, for the scope and areas reviewed, is operating effectively to provide adequate levels of assurance. Where weaknesses are identified they have either been addressed or management is in the process of addressing these.

3) The annual Health and Safety report confirmed that there is a robust Health and Safety management system and there is continuous focus on bedding in a strong safety culture from executive management. This has been confirmed by the RoSPA Gold Award for Group Health & Safety Management System.

4) Insurance risks continue to be managed effectively with increase in premiums for 2021/22 due to organic growth of the business.

5) There is effective management of personal data, in line with the requirements of GDPR.

6) The Incident Management Plan underpinned Orbit's response to the Pandemic and ensured that it continued to deliver effective services to customers and protected our colleagues.

7) Our Risk Management Policy continues to provide insight into Orbit's Business Critical Risks. Stress mitigations have been tested and are effective if key scenarios materialise.

8) Orbit's governance arrangements continue to be robust, confirmed by maintaining our G1 and V2 regulatory rating.

9) During the year Orbit featured in a sector thematic report into heating issues published by the Housing Ombudsman and had a severe maladministration case relating to 2019 published. We have taken steps to build a strong relationship with the Housing Ombudsman and have improved our complaint handling processes and policy in conjunction with our customers. We strive to consistently improve our service delivery, especially in heating, and have introduced a number of new processes to support this. Referrals to the Housing Ombudsman are carefully monitored each quarter by our Boards and cases have fallen. We are confident that we have good governance in place and that the risk is appropriately managed.

10) Orbit is committed to comply with the Consolidated Advice Note regarding cladding on high-rise and other multi-storey, multi-occupancy residential buildings issued by the MHCLG. We are also committed to ensure all buildings that require an EWS1 form have one, based on RCIS guidance. There is an ongoing programme of works in Orbit, covering these where budget based on average costs to date have been extrapolated to provide a fund of £3.6m for ongoing works. As these are worked through over the next 24 months there may be further funding requirements based on findings, however short term mitigations will be implemented to ensure funding is available and affordable. Please note that all external wall systems have a 30 year life span and have therefore been costed for replacement within the 30 year plan.

Based on the risk and assurance work undertaken in 2020/21, 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 Group 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 has 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's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to the 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 2019. 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 21 September 2021.

Disclosure of Information to Auditors

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

Independent Auditors

KPMG LLP was appointed as the external auditors for the year ending 31 March 2021. This is the final year of the current contract for external audit services and this service will be retendered later this year. A resolution to re-appoint the Group's auditors will be proposed at the Annual General Meeting.

The report of the Board was approved on 20 July 2021 and signed on its behalf by

Richard Wright
Secretary

Independent auditor's report to Orbit Group Limited

Opinion

We have audited the financial statements of Orbit Group Limited ("group and the association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2021 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Going concern

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

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's and 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 group's and 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 group or 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:

- Enquiring of the Management, legal and internal audit as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit and risk committee and governance 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, and taking into account possible pressures to meet loan covenants / regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from property sales is recorded in the wrong period and may be overstated.

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 and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual and seldom used accounts.
- Sample testing of sales relating to the period prior to 31 March 2021 to determine whether income is recognised in the correct accounting period.

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 Group'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 Group 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 Group 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 Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation 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 Group'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.

Other information

The Association's Board is responsible for the other information, which comprises Overview of the Group, Our Strategy, Our Environmental, Social and Governance Strategy, Five Year Summary of Financial Highlights, Group Chair's Introduction, Chief Executive Report, the Strategic Report and Bord Report. 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 73, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the [group or the]association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

28 July 2021

Statement of Comprehensive Income
For the year ended 31 March 2021

		Group		Association	
	Note	2021 £m	2020 £m	2021 £m	2020 £m
Turnover	2	**354.6**	323.5	**91.7**	84.1
Cost of sales	2	**(100.8)**	(78.4)	**(33.5)**	(35.0)
Operating costs	2	**(163.7)**	(154.6)	**(42.2)**	(35.7)
Surplus on sale of housing properties	7	**21.9**	45.4	**13.4**	5.2
(Loss) on disposal of other fixed assets		**-**	(0.3)	**-**	(0.5)
Operating surplus before pension exit costs		**112.0**	135.6	**29.4**	18.1
SHPS pension exit costs	36	**-**	(5.9)	**-**	(5.9)
Operating surplus after pension exit costs	2&5	**112.0**	129.7	**29.4**	12.2
Income from shares in group undertakings		**-**	-	**1.7**	1.7
Interest receivable	8	**0.8**	1.4	**2.3**	3.4
Interest payable	9	**(51.8)**	(50.4)	**(10.6)**	(6.9)
Other financing costs	9	**(5.2)**	(2.4)	**(4.2)**	(0.6)
Movement in fair value of financial instruments		**7.0**	(5.7)	**-**	-
Surplus before taxation		**62.8**	72.6	**18.6**	9.8
Taxation	10	**(0.9)**	-	**-**	-
Surplus for the year		**61.9**	72.6	**18.6**	9.8
Actuarial (loss)/gain in respect of pension schemes	36	**(11.3)**	15.9	**(11.5)**	15.9
Movement in fair value of hedged financial instrument		**19.0**	(16.3)	**-**	-
Total comprehensive income		**69.6**	72.2	**7.1**	25.7

All amounts derive from continuing operations.

The accompanying notes form part of these financial statements.

The financial statements on pages 76 to 130 were approved by the Orbit Board and signed on its behalf by:

The Rt Hon. Baroness Blackstone
CHAIR

Stephen Smith
BOARD MEMBER

Richard Wright
SECRETARY

21 July 2021

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

Group	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2019	**600.6**	**-**	**(60.5)**	**540.1**
Surplus for the year	72.6	-	-	72.6
Actuarial gain in respect of pension schemes	15.9	-	-	15.9
Change in fair value of hedged financial instruments	-	-	(16.3)	(16.3)
Balance as at 31 March 2020	**689.1**	**-**	**(76.8)**	**612.3**
Surplus for the year	61.9	-	-	61.9
Actuarial loss in respect of pension schemes	(11.3)	-	-	(11.3)
Change in fair value of hedged financial instruments	-	-	19.0	19.0
Balance as at 31 March 2021	**739.7**	**-**	**(57.8)**	**681.9**

Association	Income and expenditure reserve £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance as at 31 March 2019	**279.3**	-	-	**279.3**
Surplus for the year	9.8	-	-	9.8
Actuarial gain on pension liability	15.9	-	-	15.9
Balance as at 31 March 2020	**305.0**	-	-	**305.0**
Surplus for the year	18.6	-	-	18.6
Actuarial loss in respect of pension scheme	(11.5)	-	-	(11.5)
Balance as at 31 March 2021	**312.1**	**-**	**-**	**312.1**

The Group Income and Expenditure reserve includes £25.3 million (2020: £23.8 million) in respect of the net proceeds from the Voluntary Right to Buy pilot that took place in 2020. This will be reinvested in new properties.

Statement of Financial Position
As at 31 March 2021

		Group		Association	
	Note	2021 £m	2020 £m	2021 £m	2020 £m
Fixed assets					
Tangible fixed assets	12&17	**2,788.1**	2,688.0	**421.5**	424.4
Investments – Homebuy loans receivable	16	**10.5**	11.0	**10.5**	11.0
Fixed asset investments	13	**2.6**	6.3	**44.0**	44.0
Intangible assets	14	**18.4**	12.0	**18.4**	12.0
Investment properties	15	**37.9**	15.0	**-**	-
		2,857.5	2,732.3	**494.4**	491.4
Debtors: amounts falling due after more than one year	19	**3.0**	3.9	**35.6**	83.5
Current Assets					
Properties for sale and stock	18	**172.1**	215.6	**52.6**	64.9
Trade and other debtors	19	**26.0**	35.0	**64.9**	39.1
Cash and cash equivalents		**313.8**	87.9	**307.4**	78.7
		511.9	338.5	**424.9**	182.7
Creditors:					
Amounts falling due within one year	20	**(214.5)**	(167.8)	**(183.4)**	(171.9)
Provisions falling due within one year	23	**-**	(0.1)	**-**	-
Net current assets		**297.4**	170.6	**241.5**	10.8
Total assets less current liabilities		**3,157.9**	2,906.8	**771.5**	585.7
Creditors: amounts falling due after more than one year					
Recycled Capital Grants Funds	24	**(12.7)**	(14.3)	**(4.1)**	(5.4)
Derivative liabilities	21	**(85.3)**	(125.2)	**-**	-
Other creditors	21	**(2,355.1)**	(2,140.4)	**(434.9)**	(263.6)
		(2,453.1)	(2,279.9)	**(439.0)**	(269.0)
Provisions for liabilities					
Net pension liability	36	**(22.5)**	(13.9)	**(20.4)**	(11.7)
Other provisions	23	**(0.4)**	(0.7)	**-**	-
Total net assets		**681.9**	612.3	**312.1**	305.0
Reserves					
Income and expenditure reserve		**739.7**	689.1	**312.1**	305.0
Cash flow hedge reserve		**(57.8)**	(76.8)	**-**	-
Total reserves		**681.9**	612.3	**312.1**	305.0

The financial statements on pages 76 to 130 were approved by the Orbit Board and signed on its behalf by:

The Rt Hon. Baroness Blackstone
CHAIR

Stephen Smith
BOARD MEMBER

Richard Wright
SECRETARY

21 July 2021

Statement of Cash Flows
For the year ended 31 March 2021

	Note	Group 2021 £m	Group 2020 £m
Net cash generated from operating activities	29	**162.6**	55.8
Cash flow from investing activities			
Purchase of tangible fixed assets		**(170.4)**	(221.5)
Purchase of investment property		**(22.8)**	-
Proceeds from sale of tangible fixed assets		**44.1**	72.4
Grants received		**52.7**	79.0
Interest received		**0.4**	1.3
Mortgages redeemed		**0.1**	0.1
Investment		**3.7**	(2.5)
Cash flow from financing activities			
Interest paid		**(58.7)**	(63.3)
Loan refinancing break costs		**(15.9)**	-
New secured loans		**359.9**	83.2
Repayment of borrowings		**(125.1)**	(47.5)
Other financing costs		**(4.7)**	-
Net change in cash and cash equivalents		**225.9**	(43.0)
Cash and cash equivalents at beginning of the year	31	**87.9**	130.9
Cash and cash equivalents at end of the year	31	**313.8**	87.9

1. Principal accounting policies

Legal status

Orbit Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a not for profit Registered Provider of social housing as defined by the Housing and Regeneration Act 2008. Please refer to note 35 for information on the legal status of the other group undertakings.

Basis of accounting

These financial statements have been prepared under the historical cost basis of accounting, with the exception of derivative financial instruments and investment property which are stated at fair value, in accordance with the Statement of Recommended Practice for Registered Social Housing Providers (SORP) 2018, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. As a public benefit entity Orbit Group Limited has applied all paragraphs of FRS 102 which relate to public benefit entities in preparing the financial statements.

The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in September 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan.

The stress testing impacts were measured against loan covenants and key risk metrics, with potential mitigating actions identified to reduce expenditure. Following the outbreak of the coronavirus pandemic the Group has continued to review and adapt scenario testing including severe but plausible downsides in the worst case assessment.

The Board, after reviewing the Group and Association budgets for 2021/22 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the coronavirus pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board has considered:

- The property market – budget and business plan scenarios have taken into account lower numbers of property sales, reductions in sales values and reduction in development expenditure;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential reductions in rent income from delayed new build properties and potential legislative changes;
- Liquidity – current available cash and unutilised loan facilities of £656 million which gives significant headroom for committed spend and other forecast cash flows that arise;
- The Group's ability to withstand other adverse scenarios such as an increase in the number of void properties and reduced fixed asset sales.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Significant management judgements

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

Impairment

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

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

Impairment reviews are carried out in accordance with Section 14.6 of the 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

1. Principal accounting policies (continued)

Segment reporting

Reporting of revenue and profit by segment is a requirement of FRS102 and SORP 2018. Management has determined that the Group's segments are Housing Management and Development. This segment information is however already disclosed in notes 2 and 3 and therefore no additional segment report has been prepared.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of asset, liabilities, income and expenses is provided below.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on its expected use 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.

Defined benefit obligation

Management's estimation of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rates and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in note 36).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where 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 that case management uses the best information available. Estimated fair values may vary from actual prices.

Arrears

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

Legal Entity Merger

On 31 March 2021 two of Orbit's subsidiary entities, Heart of England Housing Association Limited (Heart of England) and Orbit South Housing Association Limited (Orbit South) merged. The newly merged entity has changed its name to Orbit Housing Association Limited. This merger was achieved by the transfer of engagements of Heart of England to Orbit South. This transaction meets the FRS102 definition of a group reorganisation and has no impact in the Group consolidated financial statements.

Basis of consolidation

The financial statements for Orbit Group Limited are the result of the consolidation of the financial statements of the Association and its subsidiaries during the year ended 31 March 2021. The subsidiaries consolidated are: the newly merged Orbit Housing Association Limited (see above paragraph regarding the legal entity merger- formerly Orbit South Housing Association Limited and Heart of England Housing Association Limited), Orbit Treasury Limited, Orbit New Homes Limited, Orbit Homes (2020) Limited, Orbit Gateway Limited and Orbit Capital plc.

Uniform accounting policies have been adopted across the Group, and surpluses/deficits and balances on intra group transactions have been eliminated on consolidation.

Turnover

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

1. Principal accounting policies (continued)

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, they are shown in surplus on sale of housing properties before operating surplus in the statement of comprehensive income. All other sales of fixed asset properties are shown in surplus on sale of housing properties.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided net of Value Added Tax (VAT) 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 or the extent to which they are directly engaged in the operations concerned.

Value Added Tax

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

Liquid resources

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

Development costs

Initial capitalisation of development costs is based on management judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged to the statement of comprehensive income.

Housing properties

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

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

1. Principal accounting policies (continued)

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

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

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

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

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions 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.

Government and other grants

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

Capitalisation of interest and administration costs

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

Investment properties

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

Other tangible fixed assets and depreciation

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

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

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

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

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

1. Principal accounting policies (continued)

Intangible assets

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

Stock and work in progress

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

Investment in subsidiary undertakings

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

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the statement of comprehensive income using the annuity method. Rentals paid under operating leases are charged to the statement of comprehensive income as incurred.

Pension costs

Orbit Group Limited participated in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit pension scheme up until 30 September 2019.

From 1 October 2019 Orbit Group Limited established a new defined benefit pension scheme, the Orbit Group Defined Benefit Pension Scheme, administered by The Pensions Trust Retirement Solutions.

More details are given in note 36 to the financial statements.

Orbit Group Limited participated in the defined contribution section of SHPS up until 30 September 2019.

From 1 October 2019 Orbit Group Limited set up a new defined contribution scheme, the Orbit Group Retirement Plan, a master trust administered by Aviva.

From 1 October 2019 Orbit Group Limited set up a new defined contribution scheme, the Flexible Retirement Plan, a master trust administered by The Pensions Trust Retirement Solutions.

The cost charged to the statement of comprehensive income for the defined benefit schemes represents the Group’s contributions to these schemes in the financial year in which they fall due.

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

Orbit Housing Association Limited was a member of Kent Local Government Pension Scheme during the year. This scheme is operated by Kent County Council.

1. Principal accounting policies (continued)

On 31 March 2019 Orbit South Housing Association exited the Bexley scheme and settled all outstanding liabilities.

The assets of the Kent scheme are held separately from those of the Association in an independently administered fund.

The requirements of FRS102 are fully reflected in the financial statements and associated notes. Note 36 provides more detail. For funding purposes, surpluses or deficits are dealt with as advised by the actuary.

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

Actuarial gains and losses are recognised in the statement of comprehensive income.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities, measured on an actuarial basis using the projected unit method, are recognised in the Association's statement of financial position as a pension scheme liability. Changes in the defined benefit pension scheme liability arising from factors other than cash contribution by the association are charged to the statement of comprehensive income in accordance with FRS 102.

Service charge sinking funds

Service charge sinking funds are disclosed within Creditors.

Property managed by agents

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

Taxation

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

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

Deferred tax assets and liabilities are not discounted.

Interest-bearing borrowings classified as basic financial instruments

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

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

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

Derivative financial instruments

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

1. Principal accounting policies (continued)

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

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

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

Cash flow hedges

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

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

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

Movement in fair value of financial instruments
Hedge accounting

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

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

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

Debt instruments (loan portfolio)

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

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

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

Bond finance

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

1. Principal accounting policies (continued)

HomeBuy

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

(a) The SHG is recycled

(b) The SHG is written off, if a loss occurs

(c) The Association keeps any surplus

Mortgage rescue

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

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

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

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

Group	2021				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	229.2	-	(143.0)	-	86.2
Other social housing activities					
Properties for sale	-	-	-	-	-
Home ownership services	3.1		(6.2)	-	(3.1)
First tranche sales	38.7	(33.4)	-	-	5.3
Other	2.7		(11.0)	-	(8.3)
Total	**44.5**	**(33.4)**	**(17.2)**	**-**	**(6.1)**
Surplus on sale of housing	-	-	-	21.9	21.9
Total social housing activities	**273.7**	**(33.4)**	**(160.2)**	**21.9**	**102.0**
Non-social housing activities					
Other	2.2	-	(3.5)	-	(1.3)
Developments for sale	78.7	(67.4)	-	-	11.3
Total non-social housing activities	80.9	(67.4)	(3.5)	-	10.0
Total social and non-social housing	**354.6**	**(100.8)**	**(163.7)**	**21.9**	**112.0**

Group	2020				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	221.9	-	(133.9)	-	88.0
Other social housing activities					
Properties for sale	5.4	(5.4)	-	-	-
Home ownership services	4.1	-	(5.5)	-	(1.4)
First tranche sales	32.7	(29.6)	-	-	3.1
Other	2.6	-	(10.7)	-	(8.1)
Total	44.8	(35.0)	(16.2)	-	(6.4)
Surplus on sale of housing	-	-	-	45.4	45.4
Loss on sale of property, plant and equipment - other	-	-	-	(0.3)	(0.3)
Total social housing activities	266.7	(35.0)	(150.1)	45.1	126.7
Non-social housing activities					
Other	5.3	-	(4.5)	-	0.8
Developments for sale	51.5	(43.4)	-	-	8.1
Total non-social housing activities	56.8	(43.4)	(4.5)	-	8.9
Total social and non-social housing before pension exit costs	323.5	(78.4)	(154.6)	45.1	135.6
SHPS pension exit costs	-	-	(5.9)	-	(5.9)
Total social and non-social housing	323.5	(78.4)	(160.5)	45.1	129.7

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

Association	2021				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	22.6	-	(9.9)	-	12.7
Other social housing activities					
Services to group members	28.8	-	(28.8)	-	-
Home ownership services	1.2	-	(3.0)	-	(1.8)
First tranche sales	38.7	(33.5)	-	-	5.2
Other	0.4	-	(0.5)	-	(0.1)
Total	**69.1**	**(33.5)**	**(32.3)**	**-**	**3.3**
Surplus on sale of housing	-	-	-	13.4	13.4
Total social housing activities	91.7	(33.5)	(42.2)	13.4	29.4
Non-social housing activities	-	-	-	-	-
Total social and non-social housing	**91.7**	**(33.5)**	**(42.2)**	**13.4**	**29.4**

Association	2020				
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on sale of housing £m	Operating surplus/(deficit) £m
Social housing lettings (note 3)	20.8	-	(7.8)	-	13.0
Other social housing activities					
Services to group members	23.9	-	(23.9)	-	-
Properties for sale	5.5	(5.5)	-	-	-
Home ownership services	1.3	-	(2.7)	-	(1.4)
First tranche sales	32.5	(29.5)	-	-	3.0
Other	0.1	-	(1.3)	-	(1.2)
Total	63.3	(35.0)	(27.9)	-	0.4
Surplus on sale of housing	-	-	-	5.2	5.2
Loss on sale of property, plant and equipment - other	-	-	-	(0.5)	(0.5)
Total social housing activities	84.1	(35.0)	(35.7)	4.7	18.1
Non-social housing activities	-	-	-	-	-
Total social and non-social housing before pension exit costs	84.1	(35.0)	(35.7)	4.7	18.1
SHPS pension exit costs	-	-	(5.9)	-	(5.9)
Total social and non-social housing	84.1	(35.0)	(41.6)	4.7	12.2

3. Income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing and housing for older people £m	Low cost home ownership £m	2021 £m	2020 £m
Income					
Rent receivable net of service charges	161.3	14.4	17.4	**193.1**	187.9
Service charge income	11.1	8.9	3.1	**23.1**	21.0
Amortisation of social housing and other capital grants	9.9	1.6	0.8	**12.3**	12.3
Other income from lettings	-	-	0.7	**0.7**	0.7
	182.3	24.9	22.0	**229.2**	221.9
Expenditure					
Management	(22.1)	(4.5)	(2.9)	**(29.5)**	(23.9)
Service charge costs	(11.6)	(10.1)	(3.6)	**(25.3)**	(21.0)
Routine maintenance	(26.7)	(1.1)	(0.1)	**(27.9)**	(34.1)
Planned maintenance	(17.1)	(3.7)	(0.1)	**(20.9)**	(18.7)
Bad debts	(0.6)	(0.5)	(0.1)	**(1.2)**	(1.2)
Depreciation of housing properties	(31.7)	(3.8)	(2.7)	**(38.2)**	(34.8)
Other costs	-	-	-	**-**	(0.2)
Operating costs on social housing lettings	(109.8)	(23.7)	(9.5)	**(143.0)**	(133.9)
Surplus on social housing lettings	72.5	1.2	12.5	**86.2**	88.0
Void losses	(3.6)	(1.9)	-	**(5.5)**	(3.7)

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

Association

	General needs housing £m	Supported housing and housing for older people £m	Low cost home ownership £m	2021 £m	2020 £m
Income					
Rent receivable net of service charges	0.7	-	17.4	**18.1**	16.6
Service charge income	0.1	-	2.9	**3.0**	2.7
Amortisation of social housing and other capital grants	-	-	0.8	**0.8**	0.8
Other income from lettings	-	-	0.7	**0.7**	0.7
	0.8	-	21.8	**22.6**	20.8
Expenditure					
Management	(0.1)	-	(3.0)	**(3.1)**	(2.5)
Service charge costs	(0.1)	-	(3.4)	**(3.5)**	(2.5)
Routine maintenance	(0.1)	-	(0.1)	**(0.2)**	(0.1)
Planned maintenance	(0.1)	-	-	**(0.1)**	(0.3)
Bad debts	-	-	(0.1)	**(0.1)**	-
Depreciation of housing properties	(0.2)	-	(2.7)	**(2.9)**	(2.4)
Operating costs on social housing lettings	(0.6)	-	(9.3)	**(9.9)**	(7.8)
Surplus on social housing lettings	0.2	-	12.5	**12.7**	13.0
Void losses	(0.1)	-	-	**(0.1)**	-

4. Staff costs

	Group and Association	
	2021 Number	2020 Number
Average number employed		
Office staff	**1,048**	1,012
Scheme staff	**164**	153
	1,212	1,165
Full time	**1,106**	1,053
Part time	**106**	112
	1,212	1,165
Full time equivalents	**1,210**	1,155

A full time equivalent would be 35 hours per week.

	Group and Association	
	2021 £m	2020 £m
Staff costs for the above		
Wages and salaries	**45.3**	44.6
Social security costs	**4.5**	4.5
Other pension costs	**2.7**	2.5
	52.5	51.6

	Group and Association	
	2021 Number	2020 Number
Number employed at 31 March		
Office staff	**1,046**	1,042
Scheme staff	**168**	161
	1,214	1,203

4. Staff costs (continued)

Directors and key management personnel emoluments

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

Salary banding	Group	
	2021 Number	2020 Number
£60,001 - £70,000	**1**	-
£80,001 - £90,000	**2**	-
£90,001 - £100,000	**2**	3
£100,001 - £110,000	**6**	8
£110,001 - £120,000	**8**	5
£120,001 - £130,000	**2**	2
£130,001 - £140,000	**1**	3
£140,001 - £150,000	**-**	2
£160,001 - £170,000	**2**	1
£170,001 - £180,000	**2**	-
£180,001 - £190,000	**2**	2
£190,001 - £200,000	**1**	-
£200,001 - £210,000	**-**	3
£210,001 - £220,000	**1**	1
£310,001 - £320,000	**1**	-
£360,001 - £370,000	**-**	1
Total	**31**	31

5. Operating surplus

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Operating surplus is arrived at after charging/(crediting)				
Depreciation of housing properties	**37.5**	34.8	2.8	2.4
Depreciation of other fixed assets	**1.5**	1.8	1.2	1.4
Depreciation of intangible fixed assets	**1.1**	0.8	1.1	0.8
Amortisation of social housing grant	**(12.3)**	(12.3)	(0.8)	(0.8)
Impairment of other tangible fixed assets	**-**	(0.1)	-	-
Operating lease rentals	**0.7**	0.7	0.2	-
Auditors' remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of the financial statements	**0.1**	0.1	-	-
Non-audit services			-	
Fees payable to the Association's auditors for other services	**0.1**	-	-	-
Total non-audit services	**0.1**	-	-	-

The audit fee for the year ended 31 March 2021 was £110,159 (2020: £105,108)

6. Directors emoluments

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

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

	Group		Association	
Group Board Members (non-executive)	2021 £000	2020 £000	2021 £000	2020 £000
The Rt Hon. Baroness Blackstone	**30**	30	**30**	30
S Brown (retired 28 February 2021)	**11**	12	**11**	12
C Crook (retired 31 December 2019)	**-**	12	**-**	12
D Weaver	**17**	17	**17**	17
D Young (retired 23 September 2020)	**5**	10	**5**	10
S Howlett	**16**	16	**16**	16
H Gillett	**10**	10	**10**	10
S Stone	**16**	12	**16**	12
S Smith (appointed 1 February 2021)	**2**	-	**2**	-
M Larizadeh (appointed 1 March 2021)	**1**	-	**1**	-
Total	**108**	119	**108**	119

	Group		Association	
	2021 £000	2020 £000	2021 £000	2020 £000
Aggregate emoluments (including pension contributions) paid to or received by directors who are executive staff members including salaries, honoraria and other benefits	**1,407**	1,705	**1,407**	1,705
Aggregate emoluments of the highest paid director excluding pension contributions / payments in lieu of pension included in aggregate emoluments of directors who are executive staff members	**293**	344	**293**	344

The Group Chief Executive was a member of the Orbit Group Retirement Plan. He was a member on the same terms as all other staff that are members; no enhanced or special terms apply. In response to the pandemic, the board took the decision not to pay the incentive scheme as a precautionary measure. The Group Chief Executive emoluments were therefore lower this year compared to last year because no incentive was paid. Expenses paid during the year on behalf of Board Members amounted to £28,000 (2020: £15,000).

7. Surplus on sale of fixed assets - housing properties

Group				2021				2020
	Letting £m	VRTB £m	Shared equity £m	Total £m	Letting £m	VRTB £m	Shared equity £m	Total £m
Disposal proceeds	17.7	1.7	26.8	**46.2**	34.7	26.6	14.5	75.8
Carrying value of fixed assets	(11.0)	(1.2)	(12.2)	**(24.4)**	(14.8)	(9.8)	(11.1)	(35.7)
	6.7	0.5	14.6	**21.8**	19.9	16.8	3.4	40.1
Capital grant recycled	2.3	0.2	0.9	**3.4**	3.0	2.8	1.9	7.7
Disposal proceeds fund and grant abated	-	-	(2.1)	**(2.1)**	-	-	-	-
Right To Buy Clawback	(1.2)	-	-	**(1.2)**	(2.4)	-	-	(2.4)
Surplus on disposal	7.8	0.7	13.4	**21.9**	20.5	19.6	5.3	45.4

Association		2021		2020
	Shared equity £m	Total £m	Shared equity £m	Total £m
Disposal proceeds	26.8	**26.8**	14.4	14.4
Carrying value of fixed assets	(12.2)	**(12.2)**	(11.1)	(11.1)
	14.6	**14.6**	3.3	3.3
Capital grant recycled	0.9	**0.9**	1.9	1.9
Grant abated	(2.1)	**(2.1)**	-	-
Surplus on disposal	13.4	**13.4**	5.2	5.2

8. Interest receivable and other income

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Interest receivable and other income	**0.8**	1.4	**2.3**	3.4

9. Interest payable

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Loans and bank overdrafts	**58.8**	60.0	**12.7**	9.7
Interest payable capitalised on housing properties under construction	**(7.0)**	(9.6)	**(2.1)**	(2.8)
	51.8	50.4	**10.6**	6.9
Capitalisation rate used to determine the finance costs capitalised during the period	**4.06%**	4.06%	**4.06%**	4.06%
Other financing costs				
Loan arrangement fees	**2.8**	1.8	**-**	-
Defined benefit pension charge	**0.3**	0.6	**0.2**	0.6
Intragroup SWAP Costs in RP's	**2.1**	-	**4.0**	-
Finance restructure costs	**5.2**	2.4	**4.2**	0.6

10. Tax on surplus on ordinary activities

The only members of the Group liable to a tax charge or credit throughout the year ended 31 March 2021 were Orbit Homes (2020) Limited, Orbit Treasury Limited and Orbit Capital plc. Orbit Group Limited obtained charitable status with effect from 3 April 2006. From that point, its principal sources of income and gains have been exempt from corporation tax and accordingly, no deferred tax assets have been recognised in the statement of financial position of the Association at either 31 March 2021 or 31 March 2020.

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

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

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
(a) Analysis of (credit)/charge in year:				
Current tax:				
UK corporation tax on profits of the year	**0.9**	-	**-**	-

The current tax charge for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2020: 19%).
The differences are explained below:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
(b) Factors affecting tax charge for current year				
Surplus on ordinary activities before taxation	**62.8**	72.6	**18.6**	9.8
Tax in the UK of 19% (2020: 19%) thereon	**12.0**	13.8	**3.5**	1.9
Non taxable (surpluses) (primarily charitable exemptions)	**(11.5)**	(13.5)	**(3.5)**	(1.9)
Capital allowances less than depreciation	**0.3**	0.3	**-**	-
Deferred tax - movement relating to fair value losses	**0.1**	-	-	-
Adjustment to tax charge in respect of previous year	**-**	(0.6)	**-**	-
Current tax charge/(credit) for the year	**0.9**	-	**-**	-

(c) Factors that may affect future tax charges:

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring-fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. At Budget 2021, the government announced that the Corporation Tax main rate for the year starting 1 April 2023 would rise to 25%.

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Association	
	2021	2020	2021	2020
	£m	£m	£m	£m
	Assets	Assets	Assets	Assets
Total (assets) as at 1 April and 31 March	**(0.2)**	(0.3)	**-**	-

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

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

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

The deferred tax asset relates to a 10 year transitional adjustment that arose on adoption of FRS102 in Orbit Treasury Limited.
The timing difference giving rise to this deferred tax asset will continue to reverse evenly over the next four accounting periods.

Orbit Homes has deferred tax liabilities arising from timing differences £44,000.

12. Housing properties

Group	Housing properties for letting		Supported housing	Low cost home ownership		Non-social housing	
	Complete	In development	Complete	Complete	In development	Complete	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 April 2020	2,371.8	143.6	63.7	319.2	111.3	2.6	3,012.2
Additions	20.3	124.0	8.1	0.4	30.4	-	183.2
Additions from other registered providers	13.4	-	-	-	-	-	13.4
Transfer to investment properties	-	(22.9)	-	-	-	-	(22.9)
Transfer on completion	108.7	(108.7)	-	27.8	(27.8)	-	-
Transfer to stock/WIP	-	-		(12.1)	(3.5)	-	(15.6)
Reclassification from other fixed assets	0.5	-	-	-	-	-	0.5
Reclassification	-	1.6	-	-	(1.6)	-	-
Disposals to other registered providers				(6.0)			(6.0)
Disposals	(7.1)	-	(0.6)	(10.1)	-	-	(17.8)
At 31 March 2021	2,507.6	137.6	71.2	319.2	108.8	2.6	3,147.0
Less: accumulated depreciation							
At 1 April 2020	(288.3)	-	(19.2)	(20.6)	-	(0.2)	(328.3)
Eliminated on disposal	1.3	-	0.1	1.4	-	-	2.8
Depreciation	(32.1)	-	(1.8)	(2.7)	-	-	(36.6)
At 31 March 2021	(319.1)	-	(20.9)	(21.9)	-	(0.2)	(362.1)
Less: provisions for impairment							
At 1 April 2020	(3.2)	-	-	(0.1)	(0.9)	-	(4.2)
At 31 March 2021	(3.2)	-	-	(0.1)	(0.9)	-	(4.2)
Net book amount							
At 31 March 2021	**2,185.3**	**137.6**	**50.3**	**297.2**	**107.9**	**2.4**	**2,780.7**
At 31 March 2020	2,080.3	143.6	44.5	298.5	110.4	2.4	2,679.7

12. Housing properties (continued)

Additions to properties during the year include capitalised interest and finance costs of £7.0 million (2020: £9.6 million) and development administration costs/project management fees of £5.5 million (2020: £7.4 million). The Group reviewed its properties for impairment and there was a charge of £Nil (2020: £Nil) to the statement of comprehensive income. During the year the total expenditure on works to existing properties was £64.8 million (2020: £81.8 million) of which £26.5 million (2020: £40 million) has been capitalised.

Association	**Housing properties for letting**	**Low cost home ownership**		
	Complete £m	**Complete £m**	**In development £m**	**Total £m**
Cost				
At 1 April 2020	15.6	314.3	111.2	441.1
Additions	0.7	0.3	30.4	31.4
Transfer on completion	-	27.8	(27.8)	0.0
Transfer to other group members	-	-	(1.6)	(1.6)
Transfer to stock/WIP	-	(12.1)	(3.5)	(15.6)
Disposals to other registered providers		(6.0)		(6.0)
Disposals	-	(9.7)	-	(9.7)
At 31 March 2021	16.3	314.6	108.7	439.6
Less: accumulated depreciation				
At 1 April 2020	(1.5)	(20.4)	-	(21.9)
Eliminated on disposal	-	1.4	-	1.4
Depreciation	(0.2)	(2.6)	-	(2.8)
At 31 March 2021	(1.7)	(21.6)	-	(23.3)
Less: provisions for impairment				
At 1 April 2020	-	(0.1)	(1.0)	(1.1)
At 31 March 2021	-	(0.1)	(1.0)	(1.1)
Net book amount				
At 31 March 2021	**14.6**	**292.9**	**107.7**	**415.2**
At 31 March 2020	14.1	293.8	110.2	418.1

Additions to properties during the year include capitalised interest and finance costs of £2.1 million (2020: £2.8 million) and development administration costs/project management fees of £1.3 million (2020: £3.8 million). The Association reviewed its properties for impairment and there was a charge of £Nil to statement of comprehensive income for 2021 (2020: £Nil).

	Group		**Association**	
	2021 £m	**2020 £m**	**2021 £m**	**2020 £m**
The net book value of housing and other properties comprises:				
Freehold land and buildings	**2,775.4**	2,675.2	**411.4**	414.4
Long leasehold land and buildings	**9.8**	11.2	**8.2**	8.6
	2,785.2	2,686.4	**419.6**	423.0

13. Investments

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Monies deposited with Affordable Housing Finance Plc	**2.6**	6.3	**-**	-
Investment in preference shares of Orbit Homes (2020) Limited	**-**	-	**34.0**	34.0
Investment in ordinary shares of Orbit Homes (2020) Limited	**-**	-	**10.0**	10.0
Investment in ordinary shares of Orbit Capital plc*	**-**	-	**-**	-
Investment in Community Impact Partnership CIC**	**-**	-	**-**	-
Total	**2.6**	6.3	**44.0**	44.0

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

*Investment in ordinary shares of Orbit Capital plc by the Association was £13,000 (2020: £13,000).

**Investment in 1 share of Community Impact Partnership CIC by Orbit Gateway Limited £1 (2020: £1).

14. Intangible assets

	Group £m	Association £m
Cost		
At 1 April 2020	13.9	13.9
Additions	7.9	7.9
Disposals	(0.2)	(0.2)
Reclassification	(0.5)	(0.5)
At 31 March 2021	21.1	21.1
Amortisation		
At 1 April 2020	(1.9)	(1.9)
Charge for the year	(1.1)	(1.1)
Eliminated on disposal	0.2	0.2
Write offs	0.1	0.1
At 31 March 2021	(2.7)	(2.7)
Net book amount		
At 31 March 2021	**18.4**	**18.4**
At 31 March 2020	12.0	12.0

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

Group	2021 £m	2020 £m
At 1 April	**15.0**	15.0
Increase in value	**22.9**	-
Transfer from housing properties	**-**	-
At 31 March	**37.9**	15.0

The Group has investment properties at Fordham House in Stratford-Upon-Avon and this year added properties at St Anne's Quarter in Norwich to the portfolio.

Valuations of both portfolios were undertaken at 31 March 2021 by independent professional valuers. The full valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation – Global Standards effective 31 January 2020 and is compliant with the requirements of FRS 102. The assets have been valued using the comparable methods of valuation. The market for the properties were investigated; sales evidence was collated and adjusted to take account of the situation, layout and specification of the properties.

In valuing investment properties at Fordham House, a yield profile as below was applied:

Net initial yield	4.20%
Nominal equivalent yield	4.52%
Reversionary yield	4.66%

In valuing properties at St Anne's Quarter a yield of 4.25% was applied

16. HomeBuy and other equity loans

Group and Association

	2021			2020		
	HomeBuy loans £m	Other equity loans £m	Total £m	HomeBuy loans £m	Other equity loans £m	Total £m
Loan advanced to borrowers at April	8.0	3.0	**11.0**	8.7	3.2	11.9
Interest receivable	-	-	**-**	-	-	-
Repaid during the year	(0.4)	(0.1)	**(0.5)**	(0.8)	(0.1)	(0.9)
Loan advanced to borrowers at 31 March	7.6	2.9	**10.5**	7.9	3.1	11.0

17. Other fixed assets

Group	Freehold offices £m	Leasehold offices £m	Commercial premises £m	Furniture, fixtures & equipment £m	Total £m
Cost					
At 1 April 2020	1.3	12.8	0.5	11.3	25.9
Additions	-	-	-	1.3	1.3
Disposals	-	-	-	(2.5)	(2.5)
Reclassified to intangible assets	-	-	-	(0.5)	(0.5)
Write offs	-	-	-	-	-
At 31 March 2021	1.3	12.8	0.5	9.6	24.2
Less: accumulated depreciation					
At 1 April 2020	(0.5)	(6.3)	(0.2)	(9.1)	(16.1)
Charge for year	-	(0.6)	-	(1.1)	(1.7)
Disposals	-	-	-	2.5	2.5
Write offs	-	-	-	-	-
At 31 March 2021	(0.5)	(6.9)	(0.2)	(7.7)	(15.3)
Less: provisions for impairment					
At 1 April 2020	-	(1.5)	-	-	(1.5)
Charge for year	-	-	-	-	-
At 31 March 2021	-	(1.5)	-	-	(1.5)
Net book amount					
At 31 March 2021	**0.8**	**4.4**	**0.3**	**1.9**	**7.4**
At 31 March 2020	0.8	5.0	0.3	2.2	8.3

17. Other fixed assets (continued)

Association

	Freehold offices £m	Leasehold offices £m	Furniture, fixtures & equipment £m	Total £m
Cost				
At 1 April 2020	0.3	8.5	6.2	15.0
Additions	-	-	0.8	0.8
Disposals	-	-	(2.4)	(2.4)
Reclassified to intangible assets	-	-	0.5	0.5
At 31 March 2021	0.3	8.5	5.1	13.9
Less: accumulated depreciation				
At 1 April 2020	(0.1)	(3.7)	(4.4)	(8.2)
Charge for year	-	(0.4)	(0.8)	(1.2)
Disposals	-	-	2.4	2.4
Write offs	-	-	(0.1)	(0.1)
At 31 March 2021	(0.1)	(4.1)	(2.9)	(7.1)
Less: provisions for impairment				
At 1 April 2020	-	(0.5)	-	(0.5)
Charge for year	-	-	-	-
At 31 March 2021	-	(0.5)	-	(0.5)
Net book amount				
At 31 March 2021	**0.2**	**3.9**	**2.2**	**6.3**
At 31 March 2020	0.2	4.3	1.8	6.3

18. Properties for sale

	Group		Association	
	2021 £m	**2020 £m**	**2021 £m**	**2020 £m**
Shared ownership - completed properties	**5.8**	13.2	**5.8**	13.2
Shared ownership - under construction	**46.9**	51.7	**46.8**	51.7
Market sale - completed properties	**27.5**	22.7	**-**	-
Market sale - under construction	**91.9**	128.0	**-**	-
	172.1	215.6	**52.6**	64.9

The above figures include capitalised interest of £0.2 million (2020: £0.7 million) for the Group and the Association.

19. Debtors

	Group		Association	
	2021	**2020**	**2021**	**2020**
Due within one year:	**£m**	**£m**	**£m**	**£m**
Rental debtors	**6.7**	7.7	**0.7**	0.7
Less: provision for doubtful debts	**(2.6)**	(3.2)	**(0.3)**	(0.2)
	4.1	4.5	**0.4**	0.5
Amounts due from subsidiaries	**-**	-	**58.7**	30.7
Prepayments and accrued Income	**9.4**	7.7	**5.5**	6.0
Taxation and social security	**2.0**	3.3	**-**	-
Other debtors	**10.5**	19.5	**0.3**	1.9
	26.0	35.0	**64.9**	39.1
Due after more than one year:				
Other debtors	**3.0**	3.9	**-**	0.3
Amounts due from subsidiaries	**-**	-	**35.6**	83.2
	3.0	3.9	**35.6**	83.5

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

20. Creditors: amounts falling due within one year

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Housing loans (note 25)	**62.7**	19.7	**7.1**	5.7
Trade creditors	**24.5**	33.2	**4.8**	16.2
Amounts due to group undertakings	**-**	-	**92.5**	90.6
Other creditors including taxation and social security	**16.1**	7.0	**7.0**	3.3
Accruals and deferred income	**14.4**	27.3	**-**	0.2
Rents received in advance	**7.5**	6.0	**0.7**	0.4
Grants received in advance	**56.1**	42.7	**55.0**	40.8
RCGF within one year (note 24)	**20.5**	18.8	**15.1**	13.1
HomeBuy and other equity grants	**0.4**	0.8	**0.4**	0.8
Deferred capital grant (note 22)	**12.3**	12.3	**0.8**	0.8
Total	**214.5**	167.8	**183.4**	171.9

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

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Housing loans (note 25)	**641.3**	754.4	**337.0**	182.0
Derivatives financial liabilities	**85.3**	125.2	**-**	-
Deferred capital grant (note 22)	**688.7**	664.1	**84.4**	68.4
Deferred income for renewals and maintenance contributions	**13.6**	12.9	**4.1**	3.8
HomeBuy and other equity grants	**9.3**	9.4	**9.3**	9.4
Bond finance (note 25)	**985.5**	689.8	**-**	-
Other creditors	**8.9**	1.7	**0.1**	-
RCGF more than one year (note 24)	**12.7**	14.3	**4.1**	5.4
Loan premium Affordable Homes Plc	**7.8**	8.1	**-**	-
Total	**2,453.1**	2,279.9	**439.0**	269.0

Housing loans shown above are net of £4.5 million loan arrangement fees carried forward (2020: £5.0 million) and finance restructure costs of £4.3 million (2020: £4.6 million).

Bond finance shown above is net of £5.1 million arrangement fees carried forward (2020: £3.7 million), discount costs of £12.8 million (2020: £10.0 million) and issue price premium of £3.3 million (2020: £3.5 million).

22. Deferred capital grant

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
At 1 April	**676.4**	655.6	**69.2**	58.4
Grant received in the year	**40.9**	37.9	**19.1**	13.1
Transfer to RCGF and DPF	**(5.4)**	(6.9)	**(0.9)**	(2.0)
Transfer from intercompany	**-**	-	**-**	-
Elimination on the disposal of assets	**1.3**	2.1	**0.7**	0.5
Grant abated	**-**	-	**(2.1)**	-
Released to income in the year	**(12.2)**	(12.3)	**(0.8)**	(0.8)
At 31 March	**701.0**	676.4	**85.2**	69.2

Analysed as:

Amounts to be released within 1 year	**12.3**	12.3	**0.8**	0.8
Amounts to be released in more than 1 year	**688.7**	664.1	**84.4**	68.4
Total	**701.0**	676.4	**85.2**	69.2

23. Provisions for liabilities

Group	1 April 2020 £m	Provided in year £m	Released in year £m	31 March 2021 £m
Dilapidations and renewals	0.1	-	(0.1)	**-**
Water rates	0.7	-	(0.3)	**0.4**
Total	0.8	-	(0.4)	**0.4**

	Group		Association	
Analysed as:	2021 £m	2020 £m	2021 £m	2020 £m
Amounts to be released within 1 year	**-**	0.1	**-**	-
Amounts to be released in more than 1 year	**0.4**	0.7	**-**	-
	0.4	0.8	**-**	-

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

24. Recycled capital grant funds (RCGF)

Group	RCGF £m
At 1 April 2020	33.1
Grants recycled	3.8
Interest accrued	0
Utilised in the year	(3.7)
At 31 March 2021	**33.2**

Analysed as:

Group	RCGF £m
Within one year	20.5
After more than one year	12.7
At 31 March 2021	**33.2**

Association	RCGF £m
At 1 April 2020	18.5
Grants recycled	1.3
Interest accrued	-
Repayment of grant	(0.6)
At 31 March 2021	**19.2**

Analysed as:

Association	RCGF £m
Within one year	15.1
After more than one year	4.1
At 31 March 2021	**19.2**

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

25. Housing loans and bond finance

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Due within one year				
Orbit Treasury Limited	**-**	-	**6.1**	4.8
Greenwich NatWest	**1.0**	0.9	**1.0**	0.9
Bank/building society loans	**61.7**	18.8	**-**	-
	62.7	19.7	**7.1**	5.7
Due after more than one year				
Orbit Treasury Limited	**-**	-	**176.9**	139.3
Orbit Capital plc	**-**	-	**153.3**	34.9
Bond finance	**1,000.0**	700.0	**-**	-
Bank/building society loans	**543.3**	650.4	**-**	-
Affordable Homes Plc	**100.0**	100.0	**-**	-
Greenwich NatWest	**6.8**	7.8	**6.8**	7.8
	1,650.1	1,458.2	**337.0**	182.0
	1,712.8	1,477.9	**344.1**	187.7

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

Orbit Capital plc was set up during 2014-15 as a funding vehicle for the issue of a £250.0 million bond and the bond finance is on- lent to the Associations. The entity has subsequently issued a bond for £450 million and a further £300 million in November 2020.

25. Housing loans and bond finance (continued)

Note (a)

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

	Group		Association	
	2021 £m	**2020 £m**	**2021 £m**	**2020 £m**
In one year or less, on demand	**62.7**	19.7	**7.1**	5.7
Repayable by instalments:				
- more than one year but not more than two years	**19.9**	19.8	**7.2**	5.8
- in more than two years but not more than five years	**137.9**	60.2	**25.6**	21.0
- in more than five years	**207.3**	304.9	**304.2**	155.2
	365.1	384.9	**337.0**	182.0
Repayable other than by instalments:				
- in one year or less	**-**	-	**-**	-
- in more than one year but not more than two years	**-**	149.3	**-**	-
- in more than two years but not more than five years	**90.0**	-	**-**	-
- in more than five years	**1,195**	924.0	**-**	-
	1,285	1,073.3	**-**	-
	1,712.8	1,477.9	**344.1**	187.7

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

25. Housing loans and bond finance (continued)

The interest rate profile at 31 March 2021 was:

	Total £m	Variable rate £m	Fixed rate £m	Weighted average rate over term %	Weighted average term until maturity Years
Group					
Instalment loans	**427.8**	149.9	277.8	4.02	13
Non-instalment loans	**1285.0**	-	1,285.0	2.84	20
	1,712.8	149.9	1,562.8	3.14	18
Association					
Instalment loans	**344.1**	183.0	161.1	4.26	23.0

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

	Group 2021 £m
Expiring in less than one year	**-**
Expiring in more than one year but not more than two years	12.2
Expiring in more than two years	330.0
Undrawn committed facilities	342.2

Hedge Accounting (Group)

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

	2021					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	23.4	0.2	0.5	4.4	18.4
Liabilities	57.7	(96.8)	(7.6)	(7.6)	(22.9)	(58.7)
	57.7	(73.4)	(7.4)	(7.1)	(18.5)	(40.3)

	2020					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	14.4	1.4	0.9	3.0	9.1
Liabilities	76.7	(112.9)	(10.0)	(9.8)	(26.4)	(66.7)
	76.7	(98.5)	(8.6)	(8.9)	(23.4)	(57.6)

25. Housing loans and bond finance (continued)

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

	2021					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	7.0	-	0.1	1.0	5.8
Liabilities	27.6	(26.7)	(1.7)	(1.7)	(5.2)	(18.1)
	27.6	(19.7)	(1.7)	(1.6)	(4.2)	(12.3)

	2020					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to < 2 years £m	2 < 5 years £m	5 years and over £m
Interest rate swaps:						
Assets	-	5.2	0.3	0.2	0.8	3.9
Liabilities	48.5	(40.1)	(2.4)	(2.4)	(7.1)	(28.3)
	48.5	(34.9)	(2.1)	(2.2)	(6.3)	(24.4)

Fair values

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

		2021		2020
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Loan	434.0	539.9	468.3	609.8
Bond	1.152.8	1,308.7	853.6	1,138.2
Embedded swap	126.0	49.3	156.0	61.6
	1,712.8	1,897.9	1,477.9	1,809.6

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

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

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

25. Housing loans and bond finance (continued)

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

	2021 £m	2020 £m
Barclays £75m	17.6	27.0
Lloyds £135m	42.1	55.1
RBS £40m	-	1.1
Dexia £19m	7.2	9.2
	66.9	92.4

The following swap contracts do not qualify for hedge accounting.

	2021 £m	2020 £m
Barclays £10m	-	9.6
Lloyds £30m	14.7	18.6
Dexia £15m	3.7	4.6
	18.4	32.8

Total fair value of derivatives	85.3	125.2

The total movement in fair value of derivatives in the year was £39,918k (2020: £20,335k) of which £19,027k (2020: £16,315k) were recognised in other comprehensive income representing the effective component of the swap with the ineffective component of £896k (2020: £1,403k loss) representing the shortfall of the fair value of hedging instruments over the change in the fair value of expected cash flows. The remaining £5,565k movement is due to six interest rate swaps being terminated in the year. There was a movement of £14,430k (2020: £5,443k) fair value movement of swap contracts that don't qualify for hedge accounting. Of this, £8,175k is due to the termination of two of these swap contracts.

Financial risk management

The Company's operations expose it to a variety of financial risks. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company and Group by monitoring levels of debt finance and related finance costs. The key risks are as follows:

Interest rate risk

At 31 March 2021, 91% of the company's debt was fixed or hedged. Orbit Capital Plc arranged its third public bond issue on 24 November 2020 for £300 million which was used to support the Group strategy. Orbit has £150 million of variable debt funding, of which £107 million is held in Orbit Treasury Limited, which could be exposed to rises in LIBOR rates. If LIBOR were to increase by 0.50%, then the impact would be additional interest costs of £535,000 to the statement of comprehensive income. Any such costs can be recovered from the Associations.

Liquidity risk

The Company actively lends the full amount of the loans it has itself borrowed, thus the entity has assets to fully offset its liabilities and interest receivable to offset its interest payable.

Credit risk

The liabilities to funders are secured by a legal charge over property assets owned by the Associations with a value in excess of total borrowings. This includes mark to market liabilities resulting from interest rate hedging instruments. The Associations have entered into a guarantee with the Company over future interest payments, including payments due under interest rate hedging instruments and the property security. The carrying amount of the funding liabilities represents the maximum value exposed to credit risk. At the end of the financial year the credit rating of A3 stable from Moody's remained in place.

Intercompany funding arrangements

Orbit Group Limited along with the other operating associations within the Group, has entered into an intra group loan agreement with Orbit Treasury Limited. The Associations provide security for the loans entered into by Orbit Treasury Limited on their behalf in the form of their social housing assets. 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.

26. Called up share capital

	Group		Association	
	2021	2020	2021	2020
	£	£	£	£
Issued and fully paid shares of £1 each				
At 1 April 2020	**8**	8	**8**	8
Issued	**2**	-	**2**	-
Surrendered	**(2)**	-	**(2)**	-
At 31 March 2021	**8**	8	**8**	8

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

27. Capital commitments

	Group		Association	
	2021 **£m**	**2020** **£m**	**2021** **£m**	**2020** **£m**
Capital expenditure which has been contracted for but has not been provided for in the financial statements	**602.8**	505.9	**154.9**	131.3
Capital expenditure which has been authorised under authority from the Orbit board but has yet to be contracted for	**276.2**	329.0	**88.4**	87.0
	879.0	834.9	**243.3**	218.3

Orbit expects these commitments to be financed with:

	Group		Association	
	2021 **£m**	**2020** **£m**	**2021** **£m**	**2020** **£m**
Social Housing Grant	**46.3**	93.2	**10.1**	19.1
Surpluses and borrowings	**832.7**	741.7	**233.2**	199.2
	879.0	834.9	**243.3**	218.3

28. Contingent liabilities

As at 31 March 2021, there were £36 million contingent liabilities within either the Group or the Association (2020: £32 million).

Stock acquisitions previously undertaken include original government grant funding of £36 million (2020: £33 million) which has an obligation to be recycled in accordance with the original grant funding terms and conditions.

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

29. Cash flow from operating activities

	Group	
	2021 £m	2020 £m
Surplus for the year	**61.9**	72.6
Sale of tangible fixed assets	**(21.9)**	(45.1)
Interest payable	**51.8**	50.4
Interest receivable	**(0.8)**	(1.4)
Movement in fair value of financial instruments	**(7.0)**	5.7
Other financing cost	**5.2**	2.4
Depreciation charge on other fixed assets	**2.5**	2.6
Depreciation charge on housing properties	**37.5**	27.0
Add back cost of sale - other fixed assets	**-**	(0.1)
Add back cost of sale for housing properties & replaced components	**0.7**	3.4
Add back tax	**0.9**	-
Tax paid	**(0.2)**	1.0
Amortisation of grant on housing properties	**(12.2)**	(12.3)
Provision for impairment on other fixed assets	**-**	(0.1)
Movement in other provisions	**(0.4)**	-
Decrease in bad debt provision	**(0.2)**	-
Decrease / (increase) in stocks	**43.5**	(39.3)
Adjustment for pension funding	**(3.0)**	(2.7)
Decrease / (Increase) in debtors	**9.9**	(11.1)
(Decrease) / Increase in creditors	**(5.6)**	2.8
Net cash inflow from operating activities	**162.6**	55.8

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

	Group 2021 £m	Group Restated 2020 £m
Increase/(decrease) in cash in the year	**225.9**	(42.9)
(Decrease) / increase in bank deposits (with a maturity in excess of 24 hours)	**(3.8)**	2.5
Other changes	**(0.5)**	0.7
Loans and bond finance received	**(359.9)**	(88.4)
Loans repaid	**125.0**	47.5
Bond discount and arrangement fees	**4.7**	2.8
Change in net debt	**(8.6)**	(77.8)
Net debt at 1 April	**(1,377.7)**	(1,299.9)
Net debt at 31 March	**(1,386.3)**	(1,377.7)

31. Analysis of changes in net debt

Group	**Restated 1 April 2020 £m**	**Cash flows £m**	**Other changes £m**	**31 March 2021 £m**
Cash at bank and in hand	16.0	(16.0)	-	**0.0**
Bank deposits less than 24 hours	71.9	241.9	-	**313.8**
	87.9	225.9	-	**313.8**
Bank deposits in excess of 7 days	6.4	(3.8)	-	**2.6**
Housing loans due within one year	(19.7)	(43.0)	-	**(62.7)**
Housing loans due after one year	(758.2)	108.1	-	**(650.1)**
Bond finance	(700.0)	(300.0)	-	**(1,000.0)**
Bond arrangement fees, discount & price premium	10.2	4.7	(0.4)	**14.5**
Loan arrangement fees and loan premium	(4.3)	-	(0.1)	**(4.4)**
	(1,377.7)	(8.1)	(0.5)	**(1,386.3)**

32. Financial commitments

Operating leases

At 31 March 2021 Orbit was committed to making total minimum future repayments of leases in respect of operating leases other than land and buildings:

	Group		Association	
	2021 £m	**2020 £m**	**2021 £m**	**2020 £m**
Leases which expire				
Within 1 year	**0.6**	0.9	**0.2**	0.3
Within 2 - 5 years	**1.6**	1.6	**0.9**	1.0
After 5 years	**0.6**	0.9	**0.6**	0.8
Total	**2.8**	3.4	**1.7**	2.1

33. Number of units under development at 31 March 2021

	Group		Association	
	Total 2021 No.	**Total 2020 No.**	**Total 2021 No.**	**Total 2020 No.**
General needs	**1,766**	1,616	**-**	-
Low cost home ownership	**1,379**	1,105	**1,379**	1,105
Private rent	**27**	24	**-**	-
Properties for market sale	**145**	110	**-**	-
Total housing units	**3,317**	2,855	**1,379**	1,105

34. Property portfolio

	Group		Association	
	2021	2020	2021	2020
	Units	Units	Units	Units
Social				
Social Rent General needs	**24,457**	24,365	**125**	117
Affordable rent	**5,805**	5,486	**-**	-
Supported Housing				
- Social Rent Supported Housing	**3,514**	3,403	**-**	-
- Affordable Rent Supported Housing	**116**	116	**-**	-
- Care Homes	**18**	12	**-**	-
Low cost home ownership (LCHO)	**5,482**	5,520	**5,241**	5,263
Total Social Housing Units (excluding Leasehold)	**39,392**	38,902	**5,366**	5,380
Leasehold	**2,127**	2,037	**520**	505
Total Social Housing Units	**41,519**	40,939	**5,886**	5,885
Non-Social				
Market rent	**191**	123	**-**	10
Private retirement schemes	**1,110**	1,111	**-**	-
Non-social Leasehold	**323**	323	**271**	252
Retained Freehold	**2,548**	2,227	**1,024**	878
Commercial units	**11**	30	**-**	-
Total non-social housing units	**4,183**	3,814	**1,295**	1,140
Total Social and Non-Social Housing Units	**45,702**	44,753	**7,181**	7,025

Disclosure note:				
Units owned and/or managed	**45,702**	44,753	**7,181**	7,025
Units managed by others	**1,905**	1,799	**-**	-

35. Subsidiary organisations, associates and related party transactions

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

On 31 March 2021, two of the group subsidiaries, both registered under the Co-operative and Community Benefit Society Act 2014, Heart of England Housing Association and Orbit South Housing Association merged. The newly merged entity has been renamed Orbit Housing Association Limited, as disclosed below.

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

35. Subsidiary organisations and related party transactions (continued)

Non-controlling interests

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

Transactions with non-regulated Group members

During the year the Association has transacted with three fellow group subsidiaries not regulated by the Regulator of Social Housing, Orbit Homes (2020) Ltd, Orbit Treasury Ltd and Orbit Capital plc. Orbit Homes (2020) Ltd provides design and build services to the Group. During the year the Association made payments totalling £22.1 million (2020: £33.3 million) to Orbit Homes (2020) Ltd for the purchase of housing property assets and has an outstanding creditor balance with Orbit Homes (2020) Ltd of £11.5 million (2020: £21.0 million) and outstanding debtors of £36.0 million (2020: £84.7 million).

Orbit Group Limited also transacted with the new Community Impact Partnership (CIP) incurring expenditure of £3,613 (2020: £23,419) on its behalf and donated £Nil (2020: £57,976) to the entity.

Orbit Treasury Ltd and Orbit Capital plc provide a funding on lending service to Group members. During the year the Association paid interest costs to Orbit Treasury plc totalling £7.9 million (2020: £6.5 million) and fees of £1.1 million (2020: £0.7 million). The Association also paid interest costs of £3.1 million (2020: £1.2 million) to Orbit Capital plc. The allocation of these costs is based upon the level of debt required and secured by the housing properties held by the Association.

Related party transactions

The Orbit Housing Association board includes a member who 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 £168,000 (2020: £368,000) to this supplier. At 31 March 2021 the outstanding balance was £63,00 (2020 £Nil).

The Orbit Treasury Limited and Orbit Capital Plc Boards include a member who is an employee of Accord Housing Group. During the year Orbit received payments of £36,000 from Accord (2020: £26,000). An amount outstanding at 31 March 2021 of £3,500 is shown in trade debtors (2020: £4,000).

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 £22,000 (2020: £20,000). The outstanding amount owed at 31 March 2021 was £1,000 (2020: £1,000).

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

The Pension Trust, as administrator of the Orbit Defined Benefit Pension Scheme and Kent County Council as administrators of the Local Government Pension Scheme, are considered to be related parties. Transactions with these entities are as set out in note 36.

36. Pension costs

Movement in pension cost liabilities during the year

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Net deficit at 1 April LGPS	**(2.2)**	(2.5)	**-**	-
Net deficit at 1 April SHPS	**(11.7)**	(29.9)	**(11.7)**	(29.9)
Contributions	**3.2**	3.1	**3.2**	3.0
Other financing costs	**(0.3)**	(0.7)	**(0.2)**	(0.6)
Net return on assets less interest on pension scheme liabilities	**(0.2)**	(0.1)	**(0.2)**	(0.1)
Impact of settlements and curtailments		0.3	**-**	-
Actuarial (loss)/gain	**(11.3)**	15.9	**(11.5)**	15.9
Deficit in pension scheme at 31 March	**(22.5)**	(13.9)	**(20.4)**	(11.7)

Orbit Group Defined Benefit Pension Scheme

From 1 October 2019 the company operated a defined benefit scheme in the UK. This is a separate trustee administered fund set up on 1 October 2019 following the transfer of assets and obligations from the Social Housing Pension Scheme (SHPS). The scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities have been based on data provided by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below. These assumptions take account of the ongoing reform of the RPI, resulting in a change of estimate this year in setting the CPI assumption relative to the RPI.

The impact of Guaranteed Minimum Pension (GMP) equalisation is 0.07% of liabilities which is estimated at £82,000 (2020: £78,000) and is included in the disclosures.

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

	31 March 2021 £m	31 March 2020 £m
Fair value of plan assets	**96.9**	90.2
Present value of defined benefit obligation	**(117.3)**	(101.9)
Deficit in plan	**(20.4)**	(11.7)
Defined benefit liability to be recognised	**(20.4)**	(11.7)

36. Pension costs (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2021 £m
Fair value of plan liabilities at the start of the year	101.9
Interest expense	2.4
Actuarial losses due to changes in financial assumptions	15.4
Benefits paid and expenses	(2.4)
Fair value of plan liabilities at the end of the year	117.3

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

	31 March 2021 £m
Fair value of plan assets at the start of the year	90.2
Interest income	2.0
Actuarial gains due to changes in financial assumptions	3.9
Contributions by the employer	3.2
Benefits paid and expenses	(2.4)
Fair value of plan assets at the end of the year	96.9

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2021 was £6,012,000.

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

	31 March 2021 £m
Net interest expense	0.2

36. Pension costs (continued)

Defined benefit costs recognised in Other Comprehensive Income

	31 March 2021 £m	31 March 2020 £m
Experience on plan assets (excluding amounts included in net interest cost)-gain	**3.9**	0.7
Experience gains and losses arising on the plan liabilities	**1.3**	2.7
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**(16.7)**	12.5
Total amount recognised in other comprehensive income – (loss)/gain	**(11.5)**	15.9

Assets

	31 March 2021 £m	31 March 2020 £m
Equity	**9.5**	3.9
Bonds	**52.0**	44.6
Property	**5.6**	4.7
Cash	**1.8**	10.6
Other	**28.0**	26.4
Total assets	**96.9**	90.2

36. Pension costs (continued)

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

Key Assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount Rate	**2.1**	2.35
Inflation (RPI)	**3.2**	2.60
Inflation (CPI)	**2.6**	1.60
Salary Growth	**-**	-
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	**75% of maximum allowance**

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2021	**21.5**
Female retiring in 2021	**23.7**
Male retiring in 2041	**22.7**
Female retiring in 2041	**24.8**

36. Pension costs (continued)

Other pension schemes operated by Orbit South Housing Association Limited

Local Government Pension Scheme – Kent County Council and Bexley London Borough

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 £22,000 (2020: £17,000). The estimated impact of the recent McCloud judgement has been recognised as a past service cost. The impact on the total liabilities as at 31 March 2021 from this judgement is estimated to be £24,000 (or 0.2% as a percent of total liabilities).

The Association also participated in the Local Government Pension Scheme (LGPS defined benefit statutory scheme) administered by the London Borough of Bexley. The Association withdrew from this scheme at 31 March 2019 following the settlement of all current and future liabilities.

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 2019. This actuarial valuation was certified on 18 December 2019 and used financial assumptions that comply with FRS102. The Association has a funding surplus of £1,136,000 at 31 March 2019 compared to a funding surplus of £400,000 at 31 March 2016.

Actuarial assumptions used for the Kent County Council LGPS scheme

The major financial assumptions used by the actuary in the FRS 102 valuation as at 31 March 2021 are:

	2021	2020
Rate of increase in salaries	**3.85**	3.00
Rate of increase in pensions in payment and deferred pensions	**2.85**	2.00
Discount rate applied to scheme liabilities	**2.00**	2.35
Inflation assumption - CPI	**2.85**	2.00
Inflation assumption - RPI	**3.25**	2.80

The estimate of the duration of the employer liabilities is 18 years.

36. Pension costs (continued)

Life Expectancy from age 65 (years)

		2021 Number	2020 Number
Retiring today	Males	**21.6**	21.8
	Females	**23.6**	23.7
Retiring in 20 years	Males	**22.9**	23.2
	Females	**25.1**	25.2

Scheme Assets

	31 March 2021 £m	31 March 2020 £m
Equities	**6.5**	4.9
Government bonds	**-**	0.1
Other bonds	**1.3**	1.0
Property	**1.1**	1.1
Other – cash	**0.5**	0.2
Absolute return fund	**0.7**	0.7
Other	**-**	-
Total fair value of assets	**10.1**	8.0
Present value of scheme liabilities	**(12.2)**	(10.3)
Net pension liability	**(2.1)**	(2.3)

36. Pension costs (continued)

Statement of financial position as at 31 March 2021

	31 March 2021 £m	31 March 2020 £m
Present value of the defined benefit obligation	**12.2**	10.3
Fair value of fund assets (bid value)	**(10.1)**	(8.0)
Net defined benefit liability	**2.1**	2.3

Scheme liabilities

	2021 £m
Opening defined benefit obligation	**10.3**
Interest cost	**0.2**
Change in financial assumptions	**2.2**
Change in demographic assumptions	**(0.1)**
Experience (gain)/loss on defined benefit obligation	**(0.2)**
Estimated benefits paid net of transfers in	**(0.2)**
Closing defined benefit obligation	**12.2**

Reconciliation of opening and closing balances of fair value scheme assets

	2021 £m
Opening fair value of scheme assets	**8.0**
Interest on assets	**0.2**
Return on assets less interest	**2.2**
Estimated benefits paid net of transfers in and including unfunded	**(0.3)**
Fair value of scheme assets at the end of the year	**10.1**

36. Pension costs (continued)

Analysis of amounts charged to income and expenditure

	2021 £m	2020 £m
Amounts charged to operating costs	**-**	5.9
Net interest on the defined liability	**0.1**	0.1

Movement in deficit during the year

	2021 £m	2020 £m
Deficit in pension scheme at 1 April 2020	**(2.3)**	(2.4)
Settlement of Bexley LGPS obligation	**-**	0.3
Contributions	**-**	-
Net interest	**-**	(0.1)
Net return on assets less interest on pension scheme liabilities	**2.2**	(0.9)
Actuarial (loss) / gain	**(2.0)**	0.8
Deficit in pension scheme at 31 March 2021	**(2.1)**	(2.3)

37. Non-consolidated management arrangements

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

38. Post balance sheet events

There were no post balance sheet events.

Our new homes
at our Saxon Gate
development

Contact us:

orbitgroup.org.uk

Orbit Group

@OrbitGroup

orbit building communities