Regulatory Judgement on Orbit Group Limited L4123

Including the following registered entities:

- Heart of England Housing Association Limited L4526
- Orbit South Housing Association Limited L4060

April 2019
Publication Details

Reason for publication

Changed basis for Viability grade

Regulatory process

In Depth Assessment (IDA)

*Please see the definitions in Annex 1 for more detail*

Governance

**G1 (Compliant)**

The provider meets our governance requirements.

Viability

**V2 (Compliant)**

The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance.

Key to grades

<table>
<thead>
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<th>Grade</th>
<th>Description</th>
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<tbody>
<tr>
<td>G1 / V1</td>
<td>Compliant</td>
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<tr>
<td>G2 / V2</td>
<td>Compliant</td>
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<tr>
<td>G3 / V3</td>
<td>Non-compliant and intensive regulatory engagement.</td>
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<tr>
<td>G4 / V4</td>
<td>Non-compliant, serious failures leading to either intensive regulatory engagement or the use of enforcement powers.</td>
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Provider Details

Origins

Orbit Group Limited (Orbit) is a charitable community benefit society that manages over 42,400 homes. Since its establishment in 1966, it has grown to be a group formed from traditional and stock transfer providers.

Registered Entities

Orbit has two registered subsidiaries, Heart of England Housing Association Limited and Orbit South Housing Association Limited. Both of these providers are also charitable community benefit societies.

Unregistered Entities

Orbit has four unregistered entities. Orbit Capital PLC operates with the sole purpose of accessing capital markets for development purposes. Orbit Homes (2020) Limited is responsible for the group’s development activities. Orbit Treasury Limited is a limited company with the purpose of providing treasury services for the group. Orbit New Homes Limited is a limited company developing housing for sale, which ceased trading in 2011.

Geographic Spread and Scale

Whilst Orbit has general needs stock in 109 local authorities, its geographical focus and core footprint is in the Midlands, East and South East. These are the main operating areas for its two registered subsidiaries.

Staffing and Turnover

Orbit reported a turnover of £357m for the year ending March 2018 and employs the full-time equivalent of 1,179 staff.

Development

Orbit’s business plan includes development of 7,513 units of various tenures between April 2019 and March 2023. Orbit is an investment partner with Homes England and was awarded funding to deliver 521 units as part of the 2016-21 Shared Ownership and Affordable Homes Programme, although it plans to deliver 1,000 units through additional grant bids. Orbit is also a partner
with the Greater London Authority, contracted to deliver 374 units in the 2016-21 Programme. Actual delivery is planned to be over 400 units. It has recently been announced as a strategic partner with Homes England and will receive funding of £129m to start 2,762 affordable homes by March 2022.
This regulatory judgement confirms our governance and viability assessments of Orbit as G1/V2.

Based on evidence gained from an IDA, the regulator has assurance that Orbit complies with the financial viability element of the Governance and Financial Viability standard and that its financial plans are consistent with, and support, its financial strategy. Orbit has adequate interest cover in its core business, sufficient security and liquidity, and is forecast to continue to meet its financial covenants.

Orbit has the financial capacity to deal with a reasonable range of adverse scenarios. While treasury management changes since the last regulatory judgement have improved Orbit’s financial capacity, its development strategy remains predicated on cross-funding between affordable provision and a debt funded market sales programme. This gives rise to risks and exposures which Orbit has identified and which it will need to continue to manage.

The regulator’s assessment of Orbit’s compliance with the governance elements of the Governance and Financial Viability standard remains unchanged. Based on the evidence gained from the IDA, the regulator has assurance that Orbit’s governance arrangements enable it to adequately control the organisation and to continue meeting its objectives.
Annex 1: Definitions of Regulatory Processes

In Depth Assessment (IDA)

An IDA is a bespoke assessment of a provider’s viability and governance, including its approach to value for money. It involves on-site work and considers in detail a provider’s ability to meet its financial obligations and the effectiveness of its governance structures and processes.

Stability Checks

Based primarily on information supplied through regulatory returns, a stability check is an annual review of a provider’s financial position and its latest business plan. The review is focused on determining if there is evidence to indicate a provider’s current judgements merit reconsideration.

Reactive Engagement

Reactive engagement is unplanned work which is triggered by new intelligence or a developing situation which may have implications for a provider’s current regulatory judgement.

Stability Checks and Reactive Engagement

In some cases, we will publish narrative regulatory judgements which combine intelligence gained from both Stability Checks and Reactive Engagement.

Further Information

For further details about these processes, please see ‘Regulating the Standards’ on https://www.rsh.gov.uk