



Our new homes at Whitelands Way in Bicester provide 24 for affordable rent and 12 for shared ownership.



ANNUAL REPORT & FINANCIAL STATEMENTS 2016-17

FOR THE YEAR ENDED 31 MARCH 2017

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GROUP INFORMATION

CHAIRMAN

David Easson

DEPUTY CHAIRMAN

Andrew Lovegrove
(to 23 February 2017)

OTHER BOARD MEMBERS

Matthew Bailes

Sue Cooper
(to 25 January 2017)

Iain Foster-Poole
(to 13 September 2016)

Linda Ives
(to 25 January 2017)

Rashid Khilji
(to 25 January 2017)

Claer Lloyd-Jones
(to 25 January 2017)

Andrew Nicol
(to 1 October 2016)

Timothy Yates
(to 25 January 2017)

Janet Ogundele

Richard Archer
(from 25 January 2017)

Mathew Bishop
(from 25 January 2017)

Pat Brandum
(from 25 January 2017)

John Cross
(from 25 January 2017)

Eva Cullen
(from 25 January 2017)

Phil Shepley
(from 25 January 2017)

Shona Spence
(from 25 January 2017)

Co-opted Members:

Jane Harrison
(from 15 April 2016)

Andrew Lovelace
(from 25 January 2017)

SECRETARY

Julie Packham (to 30 June 2016)

Ewan Wallace (from 1 July 2016)

SENIOR EXECUTIVES

Matthew Bailes
(Chief Executive)

Tracey Gray
(Executive Director of Operations)

Jane Harrison
(Deputy Finance Director)

Andrew Lovelace
(Executive Director of Finance -
from 5 September 2016)

Andrew Nicol
(Group Director of Finance -
to 31 October 2016)

Andrew Main
(Executive Director of Business
Development)

Lee North-Smith
(Interim Executive Director of Property
Services)

Gary Robinson
(Executive Director of Corporate
Services)

SOLICITORS

Clarke Willmott LLP

Devonshires Solicitors

Owen White Solicitors

Trowers and Hamblins LLP

VALUERS

Savills (UK) Ltd

BANKERS

Barclays Bank plc

AUDITORS

RSM UK Audit LLP

REGISTERED OFFICE

1 Glory Park Avenue, Wooburn Green,
Bucks, HP10 ODF

COMMUNITY BENEFIT SOCIETY

Registration number: 28844R

HOMES AND COMMUNITIES AGENCY

Registration number: L4215



The Brooklands development at Milton Keynes continues to progress with a further 72 homes for shared ownership and 22 for social rent being built by Paradigm at Fen Street.



CHAIRMAN'S STATEMENT

The work of the social housing sector has been overshadowed by the Grenfell Tower tragedy, and the terrible loss of life. We cannot be and are not complacent about the responsibilities which we have as a Board to ensure that we diligently carry out the basic landlord functions of providing homes that are safe for our residents to live in. This has been and will remain a key focus for Board and senior executives.

Last year I said that we remained committed to the challenge of developing new homes, providing our existing residents with a fair deal and managing our resources more efficiently, against the backdrop of Government deciding to reduce rents by 1% per annum. Our focus on these fundamental objectives means that we achieved a significantly higher surplus of £33.8m, compared with £21.1m last year, increasing our operating margin, excluding sales, from 43.5% to 49.0%; and our margin on social housing lettings to 50.1%. Bearing in mind that income from most of our homes has gone down this is a good achievement.

We have done this by ensuring that there has been a systematic and focused approach, across all areas of our business, on improving our cost control and procurement and by improving the efficiency of core processes. We remain focused on meeting our social values and whilst we have reduced our cost base we have continued to improve the quality of services we deliver to residents. They have told us that they are more satisfied

with our estate services – but we are not complacent and plan to undertake more work on customer satisfaction in the new financial year.

Our financial success means that we have had to borrow less than we planned to fund our development programme. We delivered 403 new homes for rent and sale in 2016-17. I am particularly pleased that we have now completed the new wings of our Lea Bridge hostel in East London. This has allowed us to offer new homes for the residents of the original building to move into, so that we can complete the refurbishment of the existing building later this year.

During the year we were allocated grant from the 2016-21 HCA funding programme to support 583 new shared ownership homes. The new homes will cost approximately £200 million to build and will contribute towards our target of building 600 new homes a year – over ten per week.

We are very focussed on finding new development opportunities. Not the least of these opportunities is the latent potential of the land that we already own where we could make better use of vacant or underused sites. This includes working with our partners at Chiltern District Council to identify potential brownfield sites and regeneration opportunities within our existing assets.

During the year we have worked to deliver a more consistent set of good value services to our residents. We have significantly reduced the period during

which homes are empty between lettings, meaning that we are able to house families in need more quickly and reduce the amount of money which we lose when rent is not being paid.

We are now working on changes to our operational structure so that we can improve the experience of our customers and make better decisions about how we manage and maintain our homes. We have been able to reduce costs significantly and we can do more without either reducing the quality of our services or making significant reductions in staff numbers. Whilst we continue to grow, we need skilled and experienced staff to deliver well-managed services. Key indicators on service quality, including the number of complaints and call-backs, give us assurance that we are improving service performance as well as reducing costs.

Our growth and our financial performance also means that we continue to be able to provide significant support to the Paradigm Foundation. During the year, we made a £350,000 donation which the Foundation can use to make grants which will improve the lives of individuals and communities in the places where Paradigm operates. In particular, the Foundation continues to build its relationship with Citizens Advice Bureaux and the value of this for Paradigm residents was illustrated by the milestone in May 2017 of the 1000th customer who was able to use the Bucks Money Advice Service, supported by a grant from the Foundation.



“ *I am particularly pleased that we have now completed the new wings of our Lea Bridge hostel in East London.* **”**

David Easson, Chairman

I reported last year that we had commissioned an in depth review of our governance. Paradigm's Board considered the report of this review in September and approved its recommendations. We have simplified our governance structure so that there is much greater clarity about the role of the Board in providing strategic direction to the organisation and oversight and challenge to the Management Team in delivering Paradigm's plans. In particular, ensuring compliance with our legal and regulatory obligations.

Several Board members had served their maximum term of office during the year. As those Board members stepped down, we took the opportunity to undertake a significant recruitment exercise to find new Board members to take forward the recommendations of the governance review. As a result of the many and complex challenges facing the sector, we also used the opportunity to secure a broader range of appropriate skills with a number of the new Board members coming from the private sector. I am pleased to confirm that Janet Ogundele will continue to serve on the Board.

I would like to thank all those colleagues who stepped down from the Board and who brought great skill and experience to the service of Paradigm over many years, as a result of which we continue to be a strong, financially sound, actively developing housing association.

As we enter our 30th year as an independent social housing provider, I

am very pleased to welcome all the new members who take their place on a strengthened Board with a clear mission to build on the successes of the past.

We have also welcomed the appointment to the Management Team of Andrew Lovelace, as our Executive Director of Finance, and Justin McCarthy, as our Executive Director of Property Services. I would like to thank Lee North-Smith who served as Interim Director of Property Services ensuring that we put in place improved systems and processes for maintaining our residents' homes and our compliance with health and safety regulations.

On behalf of the Board I would like to thank all members of staff who have contributed to making this such a successful year. Paradigm has gone through a number of significant changes to ensure that we are in strong position to respond to the operating environment whilst meeting our social objectives. We would not have been able to do this without their efforts and support.

2017-18 will be my last year as Chair of Paradigm Housing which I have been privileged to serve as a Board member for almost 9 years. The recruitment process for a new Chair is now underway and I will continue as Chair to ensure a smooth transition and handover to my successor.

David Easson
Chairman



REPORT OF THE BOARD AND STRATEGIC REPORT





*We're working with Bovis to build
26 homes for affordable rent and 10 for
shared ownership at Ascot Way, Bicester.*

OUR BUSINESS

The Board presents its report on the activities, results and audited financial statements of Paradigm Housing Group (Paradigm) for the year ended 31 March 2017.

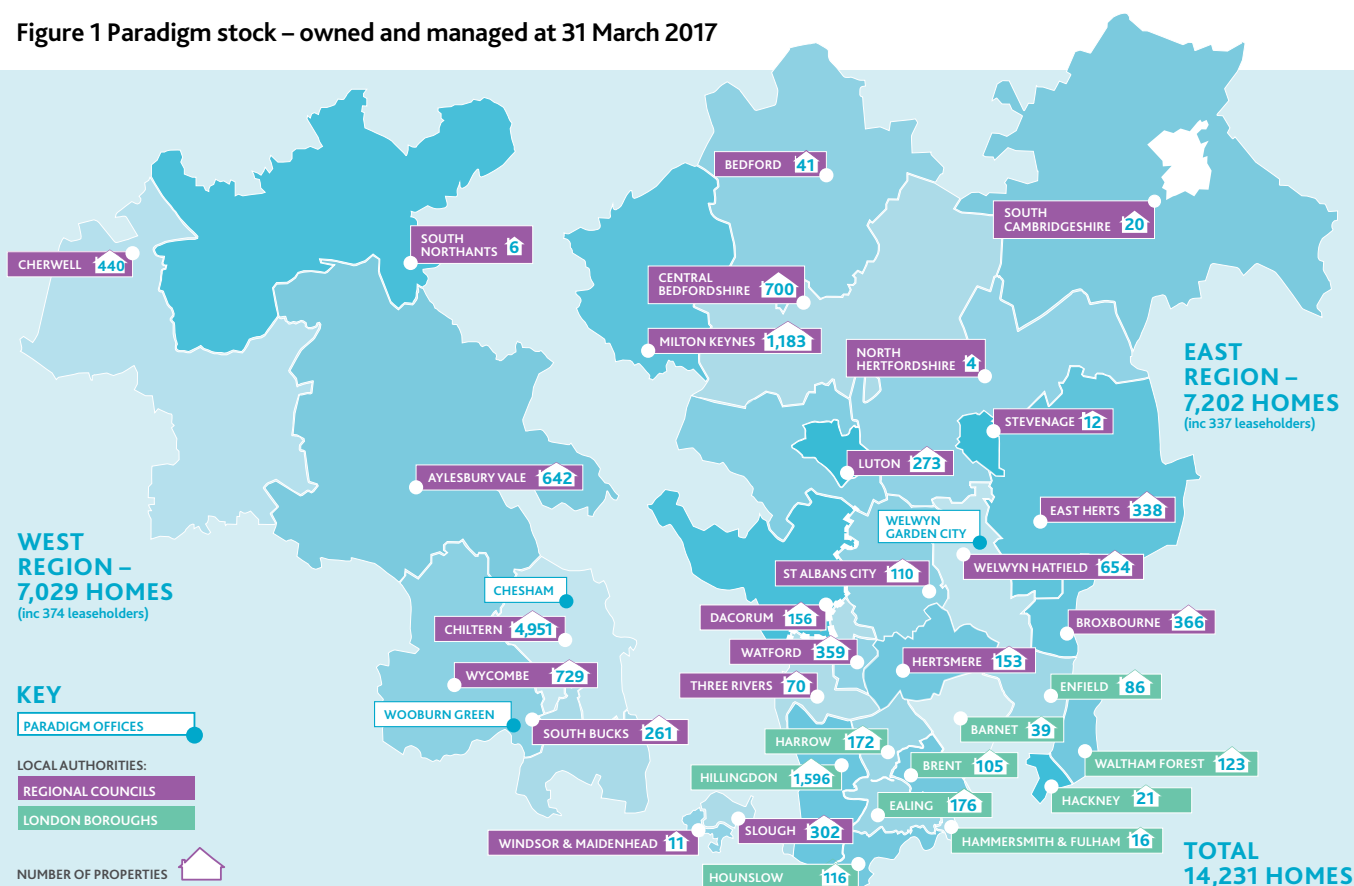
PRINCIPAL ACTIVITIES

Paradigm is one of the leading housing providers in the south-east, managing over 14,000 homes across 33 local authorities (Figure 1). As Chiltern Hundreds Housing Association it received the first large scale voluntary transfer of local authority houses, from Chiltern District Council in 1988. The Chiltern area continues to be a

core focus for Paradigm although the organisation now has properties across the Home Counties and north and west London with principal activities:

- > providing affordable housing for rent
- > delivering low-cost home ownership (mainly shared ownership)
- > offering temporary or permanent housing solutions to address homelessness issues
- > providing hostel accommodation for single and young people.

Figure 1 Paradigm stock – owned and managed at 31 March 2017





“ It was really exciting moving in, we’re settling in well. ”

Jackson Simate, who moved into Drayon Garden Village.

STRUCTURE

Within the Paradigm group two organisations are registered as housing providers with the HCA:

- > Paradigm Housing Group (Paradigm)
- > Paradigm Homes Charitable Housing Association (PHCHA), a subsidiary of Paradigm as shown in the outline Group structure (Figure 2).

Paradigm Development Services Limited (PDSL) is a wholly-owned subsidiary of Paradigm, undertaking developments

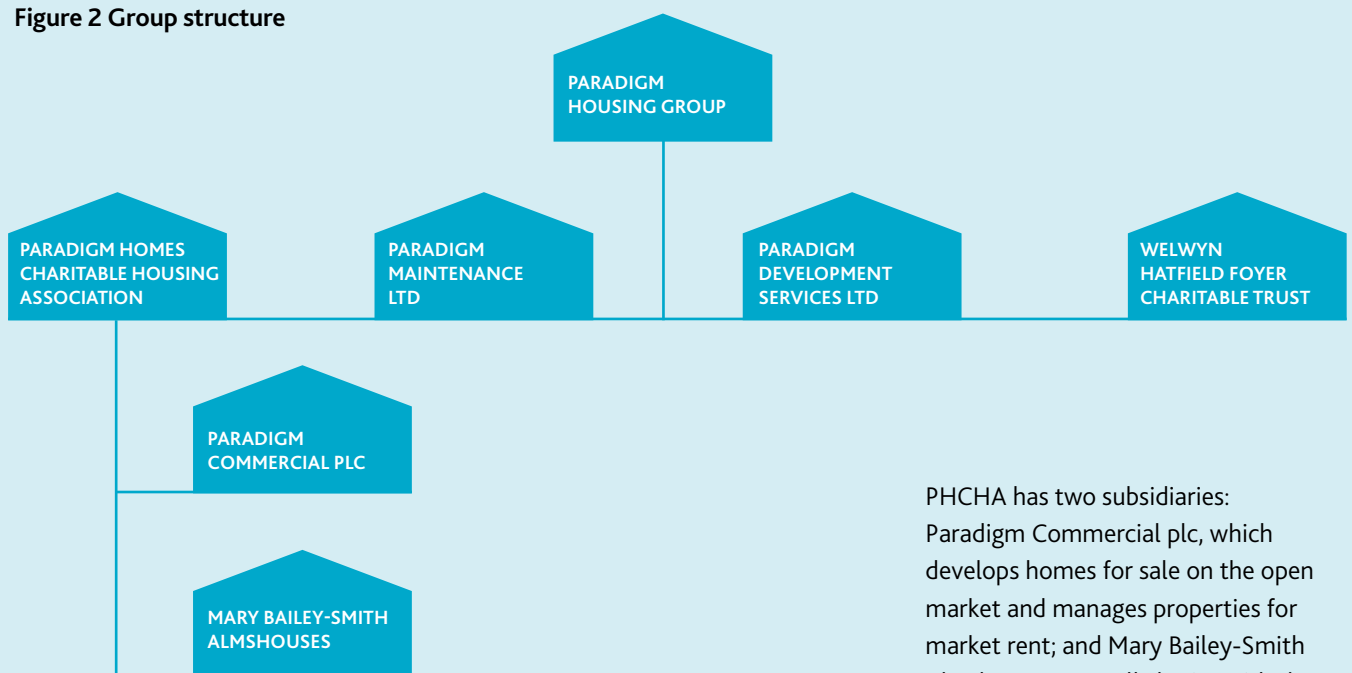
which are usually transferred to other group members on completion.

Paradigm Maintenance Limited (PML) is a wholly-owned subsidiary of Paradigm and was established to take over the group’s maintenance services following the failure of Connaught plc in 2010. During the year under review PML has acted as the group’s maintenance provider delivering a planned programme of investment

and cyclical works as well as providing day-to-day repairs, including emergency cover, although the activities of PML are transferring back into Paradigm, simplifying reporting arrangements and reducing administration costs.

Welwyn Hatfield Foyer Charitable Trust is a charity providing support for the group’s Foyer in Welwyn, Hertfordshire and Paradigm nominates at least a third of the trustees.

Figure 2 Group structure



PHCHA has two subsidiaries: Paradigm Commercial plc, which develops homes for sale on the open market and manages properties for market rent; and Mary Bailey-Smith Almshouses, a small charity with three properties in management.

OUR GOVERNANCE



The Board has adopted the NHF Code of Governance (Revised) (the Code) and complies with its principal recommendations except that the length of service for the Chair will be 9 years in September 2017 and in order to ensure continuity between the previous and new Board, as noted below, the Chair has agreed to serve until March 2018.

The Amalgamated Board commissioned a review of governance arrangements that concluded in September 2016 with recommendations to ensure the new structure aligns effectively with our strategic plans for delivering future services. Key recommendations, that have been implemented in full, were:

- > A smaller Amalgamated Board, comprising 12 members including the Chief Executive, and co-optees supported by two sub-committees and a Development Panel
- > Audit and Risk Committee established as a sub-committee of the Amalgamated Board
- > Governance, Nomination and Remuneration Committee established as a sub-committee of the Amalgamated Board

New Board members were appointed in January 2017 following a competitive recruitment process designed to ensure appropriate representation reflecting business need and the diverse communities we serve. Due to length of service most existing Board

Figure 3
Board and committee structure

AMALGAMATED BOARD	
Audit and Risk Committee	Role
Richard Archer	Chair
Mathew Bishop, Pat Brandum, Shona Spence	Non-executive members
Governance, Nomination and Remuneration Committee	
Janet Ogundele	Chair
Eva Cullen, David Easson	Non-executive members
Matthew Bailes, Andrew Lovelace	Co-opted members
Development Panel	
John Cross	Chair
Phil Shepley, Sue Belk, Freddie Coupe	Non-executive members

members were not eligible to stand for appointment but continuity has been achieved, at non-executive level, through the continued involvement of the Chair (until March 2018) and Janet Ogundele.

The Amalgamated Board meets every two months and the sub-committees, each chaired by a non-executive member of the Amalgamated Board, meet at least quarterly.

- > Audit and Risk Committee – overseeing Paradigm's risk

management strategy; financial management; standards of probity; and internal and external audit

- > Governance, Nomination and Remuneration Committee – responsible for remuneration; Board recruitment and effectiveness; governance and conduct; and Committee effectiveness

A Development Panel meets at least quarterly to review progress with planned developments; and to consider and advise on new scheme appraisals.

“ We have simplified our governance structure so there is greater clarity about the role of the Board in providing strategic direction and challenge to the Management Team.

David Easson, Chairman

”

Other sub-committees that meet on an ad-hoc basis as needed include:

- > Treasury Committee – to review the detail of treasury documents such as loan agreements or side letters to existing agreements
- > Complaints Panel – to hear customer complaints which the senior executives are unable to resolve through the complaints process

Our appointments policy for non-executive Board and Committee members aims to ensure appropriate representation reflecting business need and the diverse communities we serve. On appointment, members undergo a comprehensive induction programme and on-going training is provided through attendance at internal and external conferences and formal training courses. The Board members who served throughout 2016-17 and up to the date of this report are listed on page 2 and total remuneration is set out on page 55.

Each Board and Committee member is expected to attend at least 80% of meetings each year and all Board and Committee members are subject to regular performance appraisal.

Non-executive pay is agreed at a level advised by independent advisors as proportionate to the Group's size, complexity and resources. Non-executive Board member emoluments for 2016-17 are set out in Figure 4.

Figure 4

Non-executive Board member emoluments

Non-executive	Role	2016-17 £	2015-16 £
David Easson	Chair	13,351	13,351
Andrew Lovegrove	Deputy Chair and Chair – Development and Commercial Committee	10,120	11,040
Sue Cooper	Board member	5,563	6,676
Iain Foster-Poole	Board member	3,338	6,676
Linda Ives	Board member	4,451	6,676
Rashid Khilji	Chair – Audit Committee	7,275	8,730
Claer Lloyd-Jones	Chair – Housing Services Committee	7,275	8,730
Janet Ogundele	Board member	7,313	6,676
Tim Yates	Chair – Property Services Committee	7,275	8,730
Richard Archer	Chair – Audit and Risk Committee (from 25 January 2017)	1,952	-
Mathew Bishop	Board member (from 25 January 2017)	1,487	-
Pat Brandum	Board member (from 25 January 2017)	1,487	-
John Cross	Chair – Development Panel (from 25 January 2017)	1,952	-
Eva Cullen	Board member (from 25 January 2017)	-	-
Phil Shepley	Board member (from 25 January 2017)	1,487	-
Shona Spence	Board member (from 25 January 2017)	1,487	-
		75,831	77,285
Total expenses paid to non-executive members		2,287	2,524
Total		78,100	79,809

OUR OBJECTIVES AND STRATEGY

We will make the very best use of our resources so we can provide new affordable homes and a fair deal for existing residents.



We are building 212 homes for shared ownership and affordable rent in Stewartby, Bedfordshire. The properties are traditionally built to reflect the style of existing homes in the village.



“A new home is the best Christmas present ever.”

Tanya Linsdell, who moved into Bunkers Crescent, Bletchley.

In the areas we serve average house prices are significantly higher than average earnings and options in the private rented sector are expensive and insecure. A high proportion of the population is not adequately housed, reducing life chances and putting at risk the economic success of the area. We provide homes for more than 14,000 households and will continue to offer these residents a fair deal, providing good quality and responsive services in return for prompt rental payments and care for our property. However it is essential that we make the best use of our resources so that we can help more people who need our support. This means:

We will stay financially strong – we know that without a stable financial position we will not be able to help new residents and we will not put the homes of existing residents at risk.

We will run an excellent business – using commercial disciplines and continually striving to deliver efficiency improvements. We will attract high quality staff, invest in their skills and hold them to account for effective delivery.

We will make the very best use of our existing asset base – with a clear asset management strategy, selling or converting stock where appropriate to add value.

We will invest in new homes – offering a range of tenures including

shared ownership and social and affordable rented housing.

We will support our customers and invest in local communities through the Paradigm Foundation – helping residents into work, education and training; supporting initiatives to alleviate financial hardship; and investing in larger projects that benefit the wider community.

EXTERNAL INFLUENCES

We are operating in an environment where external factors, over which we have little or no control, have a significant effect on our business. These factors include:

Welfare reforms that affect a number of our residents who may, over the next two or three years, experience a reduction in their disposable income if they remain reliant on benefits. In some cases this could be substantial. During 2016-17 we experienced the first rent reductions introduced under the Welfare Reform and Work Act 2016, which also introduced a freeze or reduction in some benefits as well as reducing the overall benefit cap both inside and outside London. We are continuing to work alongside our residents to help them manage the changes. Our Tenancy Sustainment Team has worked with over 280 residents this year helping them access local authority discretionary housing payments and apply for appropriate benefits, as well as supporting digital

inclusion and advising on other actions such as downsizing, where accommodation is available either from Paradigm or through local authorities. An important element of our approach to minimising rent arrears is to encourage residents to pay by direct debit or prepay their rent where possible so that when they receive Universal Credit, monthly in arrears, they will be ready for the change.

The 1% rent reduction, in place until 2020, will help our residents but reduces our income. Rents go down by 1% per annum and factoring in inflation this means our income will reduce by £10m a year by 2020. Whilst we continue to bear down on costs within the business, in order to maintain a strong development programme we are developing more homes for sale (principally shared ownership) compared to those available for rent.

Changes in housing and planning legislation introduced under the Housing and Planning Act 2016 offer potential opportunities to drive value from assets through more active asset management. In particular the relaxation of regulatory control through disposal consents should, in time, simplify the disposal process and ease stock rationalisation. In developing new products and programmes we work closely with local authorities to design and deliver



“Challenges will only grow for our residents, but Paradigm is well placed to manage them.”

Board member Eva Cullen, who spent the day with Housing Officer Sophie Perfect.

innovative schemes, both small and large, that meet local and national planning requirements.

The economy affects all businesses and Paradigm is no exception. Reductions in government spending have meant less grant contribution to the development of homes. Bond markets have become popular sources of finance for housing organisations wishing to fund developments over a 20 or 30 year period at a fixed rate of interest. Paradigm has accessed government-backed long-term funding (Affordable Housing Finance Plc) through the aggregator The Housing Finance Corporation (THFC), drawing down £25m during 2016-17 to finance new developments. Following the Brexit vote in 2016, and more recently the election of a hung parliament, the markets generally have become more volatile and the government has indicated a softening of its economic targets. The property market is under pressure and in London the housing market is experiencing a small downturn but at this stage it is not clear whether the medium to long-term impact for social housing and the wider housing market will be positive or negative.

Regulatory change affects all housing providers who are registered with and regulated by the Homes and Communities Agency (HCA). The Regulatory Code, effective from

1 April 2015, focuses on key financial risks including governance, viability and value for money and the Board's response is set out in this Strategic and Board Report. For tenant-related matters greater emphasis continues to be placed on local scrutiny. Paradigm's Residents' Forum meets with management, Board members and staff to promote residents' views and to scrutinise the organisation's activities in those areas which directly impact on residents such as rent and service charge policy; changes in estate services and management; and welfare reform.

VALUE FOR MONEY

Driving value from our asset base is essential for Paradigm's future success. Our 2016-17 business plan identified key corporate projects to deliver a transformational programme of business improvements to reduce costs, improve quality and ensure effective asset management. Our focus on delivering a fair deal for existing residents whilst managing our assets effectively and focusing on operating efficiency means we can deliver more new homes to meet the high demand for affordable housing in the areas in which we operate. We use financial and non-financial measures to target specific service areas and to monitor progress in reducing costs, or improving quality.

PROFIT

Our financial strategy has a clear requirement that we should achieve a minimum annual operating surplus, excluding sales, (40%) and that each part of the business should make a positive contribution to that surplus. We achieved an operating margin, excluding sales, of 49% in spite of the 1% reduction in rents, with all parts of the business contributing to the increased surplus. Further information on our financial performance against strategic and operational targets is set out on pages 20 to 23 and summarised on page 16.

INVESTING IN NEW HOMES

We aim to provide a range of housing solutions and information on our performance against agreed targets is included on pages 28 to 29 and summarised on page 17.

CUSTOMER SATISFACTION

Delivering to agreed standards and as reliably and efficiently as possible is a clear message from our customers. Implementation of the tenant deal (see page 25) was a central plank of our service delivery. Our performance against strategic targets is set out in the section of this report: Running Our Business (page 24) .

GOVERNANCE

Changes in our Board and Committee structure have been implemented during the year, with new Board members providing fresh challenge and ideas. A new risk management strategy was introduced in the second half of the year, including 'deep dives' into key risk areas.

SELF-ASSESSMENT OF PERFORMANCE

The regulatory framework published by the HCA includes a specific requirement for registered providers to prepare an annual Value for Money (VfM) self-assessment and report to residents and stakeholders accordingly.

Our VfM self-assessment for 2016-17, approved by the Board, is summarised below and detailed in a separate VfM report published in the Annual Reports section of the Group website: www.paradigmhousing.co.uk/about-paradigm/our-performance/financial-statements/

We're building a total of 55 new homes at Hartwell Sidings, Aylesbury. They will be a mix of affordable rent, shared ownership and outright sale. All proceeds from the homes we sell are ploughed back into building new homes for people who need them.



VALUE FOR MONEY SUMMARY SELF-ASSESSMENT

KEY STRATEGIC TARGET:

Maintaining strong financial health (Page 20)

- > A strong financial performance exceeding target surpluses (Figure 8). Our focus for the next two years is to maintain operating surpluses, in spite of rent reductions, through bearing down on costs and improving our procurement
- > Our service delivery performance has been measured through comparative data from the HCA. Total Unit Cost compared against 17 other similar-sized providers operating in London and the South East is shown in Figure 5 which shows our cost reduced from 2015-16 to 2016-17 by more than 18%, exceeding target, with key factors being: improved productivity within Property Services; reduced spend on sub-contractors; and robust procurement. We will continue with our cost reduction initiatives in 2017-18 but have budgeted to invest in our properties so that they are safe and secure
- > As a housing business it is imperative that we make best use of our asset base and we do this by:
 - Converting properties to Affordable Rents. In 2016-17 we achieved 182 conversions, increasing annual recurring income by £560k, enabling additional borrowing of £13m.
 - Assessing whether to dispose of or retain void properties by considering: cost in use, cost of repair and sustainability of demand. In 2016-17 13 were sold (2016: 18) generating a £1.7m surplus (2016: £1.0m). For 2017-18 one of our main corporate projects

is a review of our approach to asset management, retention and disposal

- Developing a more detailed and accurate measure of Return on Assets for social housing as part of the corporate project on asset management
- Procurement improvements in 2016-17 targeted contract management and are anticipated to save over £1m each year. Key areas for review in 2017-18 include: legal services; buildings materials; building works and roofing; and lift servicing and maintenance – where savings will benefit residents directly through lower service charges.

KEY STRATEGIC TARGET:

Running an excellent business (Page 24)

- > We have taken up the challenge imposed by lower rental income and determined to reduce cost whilst improving efficiency to deliver good services for our residents and continue to develop new homes, albeit at a slightly lower rate than previously anticipated. 2016-17 saw the introduction of a new approach to business planning and budget setting; and a strong emphasis on using key indicators to measure and report performance. In 2017-18 we plan to improve our operating model so that accountabilities are clear and unambiguous; and there is greater focus on identifying issues with individual property assets and tenancies so that effort and resource are effectively directed.
- > Two areas of performance improvement reported for 2016-17 are: lower void relet times (13 days; 2016: 22 days; target: 12 days) and rent arrears (2.7%; 2016: 2.8%; target: 3.0%). Following a business-wide voids and lettings review our target relet time reduced from 21 to 12 days. We fell just short of the new target in 2016-17; the shorter void period is reflected in lower voids and bad debts (1.1%; 2016: 1.5%). We will continue to challenge these areas during 2017-18.
- > We committed to offering our customers a fair deal and work on the tenant deal (see page 25) progressed well during the year. We are revisiting our engagement with residents with focus on a range of mechanisms to help design and improve services.
- > Compliance with landlord health and safety law and regulation continues to be a focus with a Head of Compliance appointed early in the year to oversee development of a Compliance Scorecard for providing oversight of performance; and a Compliance Action Plan covering key areas of Gas Safety, Fire Management, Asbestos Management, Electrical Inspection, Water Management (Legionella) and Lifts.
- > We have adopted the recommendations of an independent review of governance (September 2016). Our arrangements comply with the NHF Code of Governance, are cost-effective and align with business objectives and strategy. Board members were recruited through a competitive process, with existing Board members offered the opportunity to apply where their term of office had not expired.

- > We have continued to invest in both managers and staff during the year: implementing a new talent management process; enhancing performance management and review; and updating our approach to learning and development
- > During 2016-17 we continued to implement the actions committed following the 2015-16 staff survey. We plan to run a further staff survey in 2017-18.

KEY STRATEGIC TARGET:

Making best use of our property assets (Page 26)

- > The first stage in formulating our asset management strategy for the next four years is completion of a full stock condition survey that will ensure we direct future maintenance spend at those properties most in need and have a planned disposal programme where it is uneconomic to retain properties. Our original aim was to complete the survey by July 2016 but changes to survey requirements coupled with access to properties proving more difficult than anticipated mean the completion date has now been put back to September 2018.
- > The number of kitchens and bathrooms delivered through our investment works programme was greater than planned although the number of cloakrooms installed was less than anticipated (offset by more full bathrooms). Overall costs of investment works reflected a £941k saving against budget.
- > Our approach has been to identify likely property disposals at void by reference to anticipated return on essential investment works such as sound insulation. Final approval

for disposal is given following consideration by Management Team. During the year 13 properties were sold generating £1.7m to invest in new homes. We will review the decision making criteria as part of AMS development.

KEY STRATEGIC TARGET:

Investing in new homes (Page 28)

- > Completed 403 new homes in 2016-17, with a further 1,634 on-site at the year-end. We are on course to exceed the revised target of 600 a year over the next three years
- > Development partner for £21.7m grant under the 2015-18 HCA and GLA programmes to deliver 1,202 properties although, following the rent reduction, the mix and timing of developments is under review
- > Successful applications for grant under the 2016-21 HCA Shared Ownership Programme and GLA Homes for Londoners 2016-21, which will also utilise Recycled Capital Grant Fund
- > Reviewing our property portfolio and considering opportunities for developing land or regenerating brownfield sites acquired through the original transfer. This is being taken forward as key initiative in 2017-18
- > In appraising schemes we use a target Return on Investment (ROI) of 7.0%. For 2016-17 we achieved ROI of 7.6%.

KEY STRATEGIC TARGET:

Supporting our customers and investing in communities through the Paradigm Foundation (Page 30)

- > In 2016-17 the Foundation helped 18 individuals with access to work or training or relief of financial hardship, and supported 22 community-based projects, including Citizens Advice Bureaux (CABs) offering debt advice and other services
- > A project supported by the Foundation has brought together three CABs across Buckinghamshire to share best practice and skills in providing the Bucks Money Advice Service (BMAS) for Paradigm residents. The service was formally launched in June 2016 and is available to support Paradigm's 6,500 residents across the county. In 2016-17 the service reached 847 Paradigm residents and has provided an estimated £450k benefit for those people through reducing arrears, accessing benefits and debt management. In the second year of operation the service plans to extend to a fourth CAB in Buckingham, improving accessibility for Paradigm residents in that area.

BENCHMARKING PERFORMANCE

We participate in HouseMark performance benchmarking to assess our performance against financial and non-financial targets in comparison to other housing associations, although we recognise there are limitations in this benchmarking as it excludes shared ownership and temporary housing activities, both of which are substantial parts of our business. We are participating in the Sector Scorecard pilot testing alternative benchmarking solutions that are expected to include more financial indicators for 2016-17 and subsequent years.

In order to benchmark our performance for 2015-16 and to help assess progress in 2016-17 we have utilised unit cost data provided by the HCA as part of

the Global Accounts 2016 (published February 2017). The Total Cost per Unit shown in Figure 5 includes: management costs; total maintenance costs (including capitalised repairs); and other social housing costs. The comparator group is Registered Providers in London, South East and East of England with between 7,500 and 15,000 social housing properties.

For 2015-16 Paradigm's Total Cost per Unit (excluding service costs which distort the comparison where providers have supported housing) was £3,149, below group average (£3,451) and median (£3,250). For 2016-17 our Total Cost per Unit is £2,554, exceeding our target to reduce costs by 10%. As reported on page 23 key factors are: better procurement; lower spend on sub-contractors; and reduced void costs.

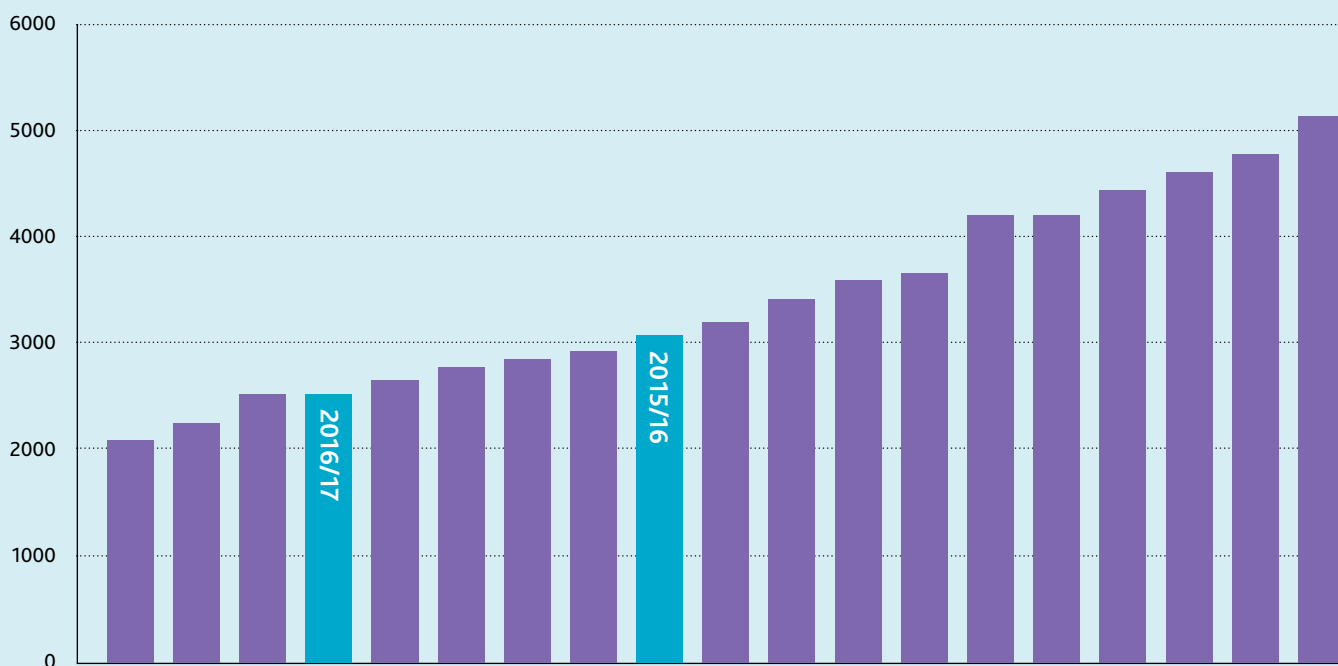
TARGETS

In 2017-18 key targets include:

- > Annual surplus exceeding 10% of turnover
- > Operating cost surplus (excluding first tranche sales) exceeding 40% of turnover
- > Interest cover (EBITDA) 1.4

We will monitor performance against these and other targets noted above during the year.

Figure 5 Benchmarking performance against 17 other Registered Providers in London, South East and East of England – Total Cost per unit 2015-16



Source: HCA Global Accounts 2016 Unit Cost Data



Twelve homes for shared ownership and six for social rent have been built at Pacific Way, part of the Brooklands development in Milton Keynes.

A FINANCIALLY SOUND ORGANISATION

As a charitable housing provider it is essential that we make a healthy surplus so we can fulfil our core aims. Our strategy is to provide a fair deal for our customers and to re-invest the surplus into providing more new homes for people who are unable to access the general housing market. We have assessed our performance in 2016-17 against our key targets agreed at the beginning of the financial year and highlight the outcomes below together with a summary of financial performance:

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
Operating margin, excluding sales, of 40%	> Operating surplus 40.7% > Margin excluding sales 49.0%
Annual surplus exceeding 10%	> Surplus for the year (as percentage of turnover) 24.7%
Coherent, challenging and annually updated Value for Money strategy	> Performance against VfM strategy detailed in VfM Report published in the Annual Reports section of the Group website www.paradigmhousing.co.uk/about-paradigm/our-performance/financial-statements/

PERFORMANCE – FINANCIAL

The Board is pleased to report a surplus for the year of £33.8m (2016: £21.1m) after spending £13.6m (2016: £16.0m) to maintain our existing housing stock together with a further £5.5m (2016: £7.0m) on investment works so that we continue to provide high quality homes for our residents. The reduction in maintenance spend reflects a greater level of work being carried out in-house during the year with volumes of jobs remaining steady.

The group's five-year statements of income and expenditure and financial position are summarised in Figure 6. Following the change in accounting standards (under FRS 102) introduced last year, comparative financial information for 2015-16 and 2014-15 has been prepared under the new approach. However the information for earlier years has not been adjusted.

Figure 6 Group highlights, five-year summary

		As previously reported: FRS 102		As previously reported: pre FRS 102	
	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
INCOME AND EXPENDITURE					
Income from social housing letting	86.7	85.2	83.5	75.4	70.5
First tranche shared ownership and outright sales	46.0	25.1	18.2	35.9	27.0
Other operating income	4.0	5.0	3.4	4.2	3.7
Operating income	136.7	115.3	105.1	115.5	101.2
Repairs and maintenance	13.6	16.0	16.9	12.8	12.4
Management costs	6.1	8.8	6.4	7.3	7.1
Lease charges	6.6	7.2	7.6	7.6	8.0
Property depreciation	11.3	9.9	10.7	8.7	7.2
Cost of first tranche shared ownership and outright property sales	34.8	19.0	15.2	31.5	24.9
Other operating costs	8.6	9.1	8.8	9.6	8.7
Operating costs	81.0	70.0	65.6	77.5	68.3
Operating surplus	55.7	45.3	39.5	38.0	32.9
Surplus on sale of fixed assets	7.2	5.4	4.7	3.7	3.6
Net interest payable	*(29.1)	*(29.6)	*(30.0)	(28.9)	(25.1)
Tax	–	–	–	–	(0.1)
Surplus for the financial year	33.8	21.1	14.2	12.8	11.3
Actuarial gain/(loss) in respect of pension scheme	(0.2)	0.8	(0.9)	N/A	N/A
Total comprehensive income for the year	33.6	21.9	13.3	N/A	N/A

*Includes movement in fair value of investments

		As previously reported: FRS 102		As previously reported: pre FRS 102	
	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
FINANCIAL POSITION					
Housing properties at deemed cost or valuation	1201.1	1182.0	1161.3	1,099.2	903.9
Other fixed assets	11.5	12.1	13.5	14.1	14.8
Investments (FRS 102 – including investment properties)	19.4	18.0	16.9	5.4	5.8
Net current assets	100.3	41.1	18.9	16.0	48.3
Total assets less current liabilities	1332.3	1253.2	1210.6	1,134.7	972.8
Less: Housing loans, grants and other long term liabilities	775.8	730.2	710.1	649.9	640.5
Less: Net pension liability	10.1	10.2	9.6	2.6	3.1
Total net assets	546.4	512.8	490.9	482.2	329.2
Capital and reserves	546.4	512.8	490.9	482.2	329.2

A FINANCIALLY SOUND ORGANISATION *continued...*

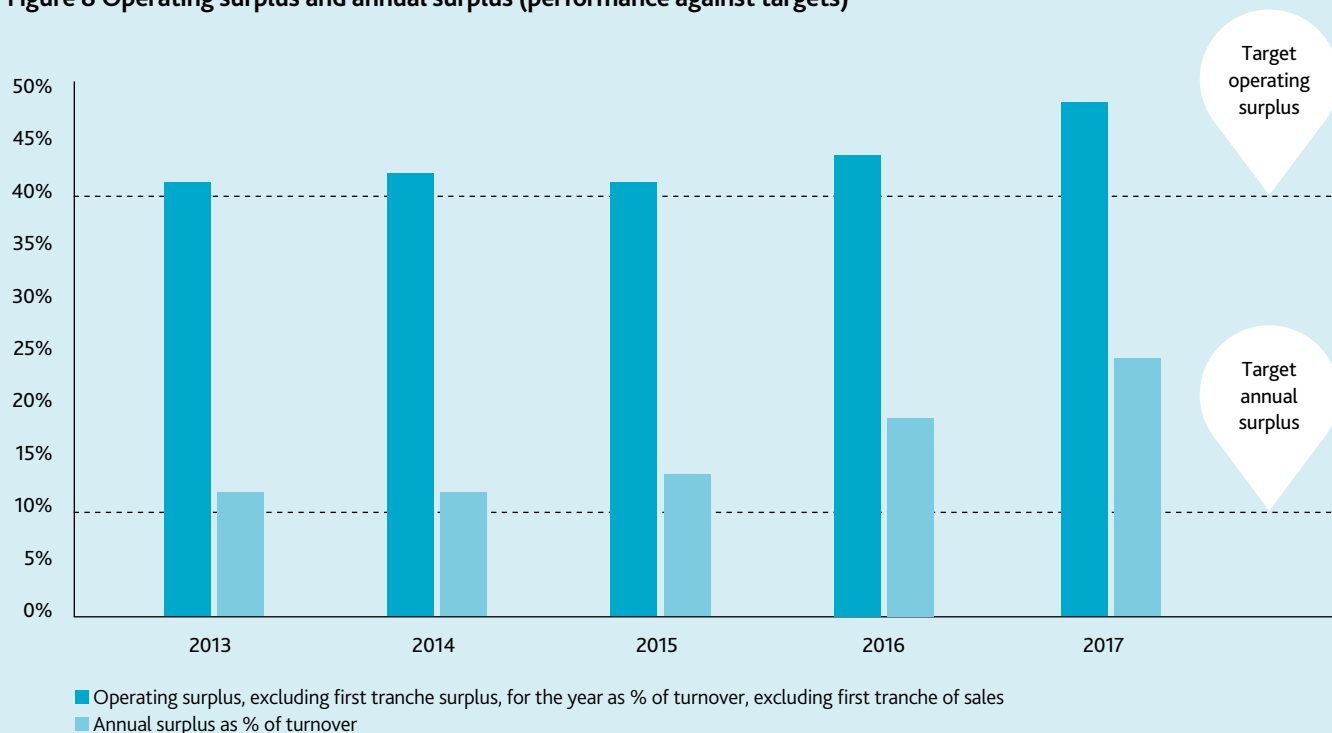
Key financial indicators derived from the financial statements and used to monitor and report performance are shown below.

Figure 7 Key financial indicators

			As previously reported: FRS 102	As previously reported: FRS 102	As previously reported: pre FRS 102	As previously reported: pre FRS 102
KEY FINANCIAL INDICATORS	2016-17 TARGET	2017	2016	2015	2014	2013
Operating surplus (% of turnover)	–	40.7%	39.2%	37.6%	32.9%	32.5%
Operating surplus (% of turnover, excluding first tranche sales)	40.0%	49.0%	43.5%	42.0%	42.2%	41.6%
Annual surplus (% of turnover)	10.0%	24.7%	18.3%	14.0%	11.1%	11.1%
Rent losses (voids and bad debt as % of rent and service charges receivable)	1.5%	1.1%	1.5%	1.6%	1.6%	1.6%
Rent arrears (current tenant arrears as % of rent and service charges receivable)	–	5.3%	5.4%	5.4%	5.0%	4.0%
Rent arrears (rolling average adjusted for timing of housing benefit)	3.0%	2.7%	2.9%	2.8%	3.0%	3.7%
Interest cover (Earnings Before Interest Tax Depreciation and Amortisation divided by interest payable and capitalised interest)	1.4	2.0	1.8	1.6	1.6	1.8
Interest cover (Earnings Before Interest Tax Depreciation and Amortisation, Major Repairs Included, divided by interest payable and capitalised interest)	–	1.9	1.4	N/A	N/A	N/A
Gearing (total loans less cash as % of capital employed)	<70.0%	56.4%	57.3%	57.3%	55.5%	63.8%
Return on investment (earnings for the year as % of average total debt)	7.0%	7.6%	7.5%	6.6%	6.5%	5.9%
Return on assets (surplus for the year as % of average total assets) ¹	1.8%	2.5%	1.7%	1.3%	1.7%	1.6%

¹Earlier years (2013 to 2014) as previously reported reflect adjustment for property revaluation

Figure 8 Operating surplus and annual surplus (performance against targets)





Overall repairs costs reduced from £23.3m in 2016 to £18.9m in 2017.

As a percentage of turnover, the group's operating surplus for the year of 40.7% exceeded budget and the previous year (2016: 39.2%). A key factor was lower costs across all areas other than depreciation, which increased from the prior year by £1.4m reflecting our on-going property reinvestment and development programme. Excluding first tranche sales, our operating surplus was 49.0% (2016: 43.5%), substantially exceeding the target of 40.0% (Figure 8) and strengthening our interest cover. For 2016-17 we have reported the interest cover 'EBITDA-MRI' which is calculated to take account of capitalised major repairs. The indicator shows the level of headroom on meeting interest payments for current levels of debt and has increased to 190% (2016: 141%), reflecting our strong operating performance.

Our budget and business plan for 2016-17 reflected the 1% rent reduction imposed through legislation. However we were ambitious in our cost reduction plans in order to continue to develop more affordable housing and deliver a

fair deal for our existing residents who expect a safe and secure home. Key areas in 2016-17 were:

- > Procurement – we undertook a review of our procurement and contract management arrangements, identifying a number of 'quick wins', particularly in Property Services where we reduced the number of sub-contracted jobs and increased the volume of self-delivery without compromising the level of service for residents. The focus on procurement and contract management alongside implementation of the tenant deal during the year contributed towards substantial reductions in repair costs (Total repairs 2017: £19.1m, 2016: £23.0m).
- > Rent collection and arrears recovery – our planned review of income collection, including rent arrears, and examination of managing sundry debt was partially complete in-year, with a particular focus on recovery of sundry debt and former tenant arrears, and continues in 2017-18. We have continued to

reduce our current rent arrears with a rolling 4-week average of 2.7% at the year-end (2016: 2.8%).

- > Voids and lettings – we have continued to focus on voids and lettings so that we minimise the time that a property is vacant with sustained reduction in 'days to let' (2017: 13 days; 2016: 22 days) and reduction in associated void rent losses (2017: 0.6%; 2016: 0.8%). During 2017-18 we are continuing to focus on minimising void costs through monitoring and reacting to both days to let and overall void costs (including repairs).

Our operating margin from social housing letting activities has increased to 50.1% (2016: 46.3%). Alongside the efficiency programmes highlighted above we focused greater attention on compliance, appointing new people to lead and deliver a programme that has provided 100% gas compliance across our properties and is delivering on demanding targets for fire risk, asbestos and legionella.

RUNNING OUR BUSINESS

We are committed to using commercial disciplines in continuing to deliver efficiency improvements, investing in our staff, supporting their development and holding them to account for effective service delivery.

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
To use our business and customer intelligence on impact, cost and affordability to drive improved standards	> Achieved – suite of indicators developed to drive performance improvements and inform operational decisions are being reported monthly to Management Team.
Greater accessibility and self-service options	> On-going – the planned update to the corporate website and customer portal, a central plank of the tenant deal, (see page 25) will conclude in 2017-18.
The production of easy to read and accessible standards for customers and staff	> On-going – our service standards have been reviewed as part of the tenant deal and the repairs standard has been relaunched from April 2017.
To have a comprehensive training strategy from induction to leadership development	> On-going – we have continued to support apprentices in our Property Services team and with the introduction of the Apprenticeship Levy have broadened our use of apprenticeships across the wider business. A new talent management process will be implemented during 2017-18.
To introduce a new Total Reward strategy	> On-going – a new Head of HR has recently been appointed and one of her targets is to lead a Total Reward project that is planned to complete by the end of the year.
To introduce and embed the new governance structure and to carry out a thorough governance compliance assessment	> Achieved –an independent review of the governance structure to ensure it aligns with our plans for delivering future services concluded in September 2016 and the recommendations have been implemented in full.

PERFORMANCE – OPERATIONS

The operations team met their target of achieving 8% efficiency savings for 2016-17, principally through effective management of estates services cleaning and grounds maintenance subcontractors, delivering better services for our residents at a lower cost. We assess resident satisfaction with the services through customer surveys. Overall satisfaction levels with the cleaning services have increased

from 53% to 71% over a three year period. The survey also showed that 73% of residents were satisfied that the service delivers value for money, another significant improvement.

Other highlights include:

- > £5.9m (2016: £7.2m) spent on planned maintenance, where a focus has been on health and safety including asbestos removal, gas servicing and compliance with fire regulations; as well as cyclical internal and external decorations.

The savings over 2015-16 reflect our focus on delivering a higher proportion of maintenance in 2016-17 in-house, reducing our reliance on more costly sub-contractors

- > £7.7m (2016: £8.9m) responsive repairs costs reflecting greater volume of in-house delivery, increased productivity, stronger controls and reduced sub-contractor spend, out-performing a demanding budget that had been set with the expectation of reducing costs by 7%



We have continued to develop our new tenant deal to be clear about what we commit to do for our tenants and what we expect from them in return. The deal will offer enhanced on-line and web-based services – to encourage a digital first approach, wherever possible and appropriate – and will balance service delivery and cost so that we continue to fulfil our core purpose of housing more families and individuals who need a home.

The first stage has been introduced and sets out a clear statement of repairs responsibilities between Paradigm and tenants; updated investment works standards for kitchen and bathroom replacements; and a new repairs to voids standard. The next stage will involve:

- > new response times to customer enquiries; and
- > improved digital services.

Welfare reform is a key risk for the group and Paradigm invests in Tenancy Sustainment specialists to minimise instances of tenancy breakdown. The team has managed 287 referrals covering all forms of potential tenancy breaches as well as working on a pre-tenancy check project to assess and

support nominees who may be affected by welfare reform changes such as the change in local housing allowance rate affecting younger tenants from 2019. In addition the team has continued to support initiatives to help residents move on-line and to work with local authorities to adapt properties for people with disabilities.

Our Private Sector Leasing (PSL) team provides temporary housing solutions by letting properties, leased on short-term leases from private landlords, to people who are on local authority waiting lists. The PSL team has continued to face significant challenges including greater competition for new properties; enforcing landlord health and safety compliance; managing third party repairs; and effects of rent restrictions under Welfare Reform, particularly the benefit cap. The team has delivered an operating surplus of £0.8m (2016: £0.8m), with increased bad debts a significant factor. Looking forward, anticipated increases in compliance costs together with benefit caps and gradual implementation of Universal Credit will be key risks for this area of the business.

MANAGING OUR PROPERTY ASSETS

Our programme of investing in our housing properties has previously been driven by a strategy of achieving a balance between maintaining Decent Homes and addressing fuel poverty. Using existing stock condition data, our investment works programme for 2015-18 was developed to concentrate in geographical areas to deliver the works in the most cost effective manner. We have refined this based on initial findings from a full stock condition survey. The 100% survey (visiting all housing properties) will inform the Group's future asset management strategy. The investment plan for 2016-17 was to replace kitchens, bathrooms and other fittings that were highlighted as requiring replacement under the stock condition survey whilst bearing down on cost through doing more work in-house, reducing reliance on sub-contractors.

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
Full stock condition survey to be completed by December 2016	> The stock condition survey has taken longer than anticipated due to a higher number of 'no admittance' than expected – leading to more return visits. The completion date has been revised to September 2018 and the outcome of the survey will contribute to our asset management strategy, which is currently at 'workshop' stage and is planned for completion by October 2017.
Investment works programme for 2016-17 reflects priorities highlighted by stock condition survey and compliance reviews	> Volumes of asset replacements have been in line with plans but we have achieved savings of almost £1m through increased productivity, minimal use of sub-contractors and better procurement.
Compliance scorecard developed to provide oversight of performance in key areas	> Completed compliance scorecard that is used as a management tool to providing oversight of performance. Compliance action plan runs alongside the scorecard covering six key areas: gas safety; fire management; asbestos management; electrical inspection, servicing and maintenance; water management (legionella); and lifts.

INVESTING IN OUR PROPERTIES

We have continued to invest in our property assets in 2016-17:

- > £1.5m spent on 329 boiler replacements so that our residents benefit from more fuel efficient boilers and lower fuel bills. A combination of better procurement and doing some work in-house reduced cost per boiler by over 13% from £5.3k to £4.6k over the year
- > £1.1m replacement windows and doors, with a further £0.9m on roofs and roof insulation, improving thermal insulation in over 300 homes

- > £2.4m on our kitchen and bathroom programme, with 370 replacements (2016: £3.5m with 491 replacements, including cloakrooms)
- > Following fire risk assessments early in the financial year a programme was introduced to implement the recommendations with £450k invested in 2016-17 and £900k the following year. We continue to review compliance in this area.

During the year a small number of properties were referred to Management Team for a decision of whether to retain or dispose of the properties taking into account an assessment of future service potential and value to the business;

and market value. Thirteen were sold generating a surplus of £1.7m to reinvest in new homes.

We are undertaking a fundamental review of our asset management. The Head of Asset Management, who joined in March 2017, is leading a project, due to complete in 2017-18, to deliver an asset management strategy that will inform decisions on future use of assets together with recommendations for systems requirements to support delivery of the strategy.



We've continued to invest in our properties including replacing 370 kitchens and bathrooms.

INVESTING IN NEW HOMES

We believe it is our duty to provide new affordable homes for people who cannot afford to rent or buy in the open market. We aim to provide a range of housing solutions targeted at affordable home ownership as well as rental, including the implementation of a prudent and limited outright sale programme as a way of generating finance and reducing dependence on capital grant funding.

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
Provision of 600 new homes per annum (400 rent, 200 shared ownership).	> Following the announcement of the 1% per annum rent reduction from 2016 we revised our development plans and targets, changing the mix of homes developed for rent or sale and suspending bids for new schemes in 2015. In 2016-17 we delivered 403 new homes, below our overall target, due mainly to the temporary suspension in bidding for and developing new schemes which has now been lifted. We anticipate a significant increase in the number of homes completed during 2017-18, bringing us in line with our target 600 homes per year.
Development and implementation of a Build for Sale strategy	> Strategy to be developed and implemented alongside plans for investing in a sub-market rent product aimed at people who cannot afford to buy or rent on the open market but do not qualify for social housing.
Optimum level of grant achieved from HCA/GLA enabling us to provide more homes	> We were awarded grant under the 2015-18 programme to develop 1,202 new homes over the period, including an additional 106 units at Lea Bridge, single persons accommodation in East London, almost doubling the size of that scheme. Our redevelopment at Lea Bridge is almost complete, supported by funding from the GLA. In addition, as some of the schemes that had been identified as outright sale were built out they were re-designated as affordable homes for rent and sale through shared ownership and grant re-allocated through agreement with the GLA and HCA.

PERFORMANCE – DEVELOPMENT

The high levels of demand for affordable rented homes and low cost home ownership properties in our areas of operation mean that developing new homes continues to be a priority for Paradigm. Factors affecting development include:

- > availability of land and sites, which is a particular constraint within Chiltern district where our original post-transfer properties are located
- > competition, from other registered providers and housebuilders, and planning restrictions
- > legislative change imposing rent cuts that affect the valuation of existing stock and gearing ratios, both of which are key factors in the amounts we are able to borrow to develop more homes as well as the viability of schemes developed for affordable rent
- > availability of materials and labour, impacting tender prices for new developments
- > contractor or sub-contractor insolvency, which has adversely affected the timing of development at three schemes during the year.

During 2016-17 we have continued to develop and deliver more affordable housing in line with our strategic objectives:

- > delivered 403 (2016: 542) new build properties, with a further 1,634 currently on-site
- > managed 22 contracts that delivered on time with two exceptions due to



We built 57 apartments on the site of derelict care home in Luton. We were proud to name Jonathan Henry Place after a police officer who lost his life while on duty.

- sub-contractor insolvency and one due to poor contractor performance
- > delivered our HCA and GLA commitments
- > entered into dialogue with Chiltern District Council to consider options for how we maximise use of brownfield sites to support delivery of their Local Plan
- > supported low-cost home ownership by selling 185 (2016:196) new homes under shared ownership arrangements, achieving income of £23.9m
- > sold 51 properties on the open market through our commercial subsidiary, achieving income of £16.5m and profits of £4.9m
- > continued the eighteen-month development at Lea Bridge, started in 2015-16, to deliver 60 additional rooms for homeless people, with support from the GLA under the Homelessness Change – Platform for Life programme
- > completed our 14,000th home at Jonathan Henry Place, Luton, in June 2016.

INVESTING IN RESIDENTS AND COMMUNITIES

The Paradigm Foundation is a company limited by guarantee and a registered charity. The Foundation was launched in July 2013 and operates independently from Paradigm, although the Group is its principal donor giving at least 2% of projected annual profits to the Foundation in the following year (see Financial Statements note 35).

Key aims of the Foundation are:

- > supporting residents and their families into work, education and training
- > alleviating financial hardship through initiatives and small grants relating to income maximisation and financial welfare
- > encouraging community involvement through grant funding for small and larger community projects

The Foundation is managed by its five trustees and achievements during 2016-17 include:

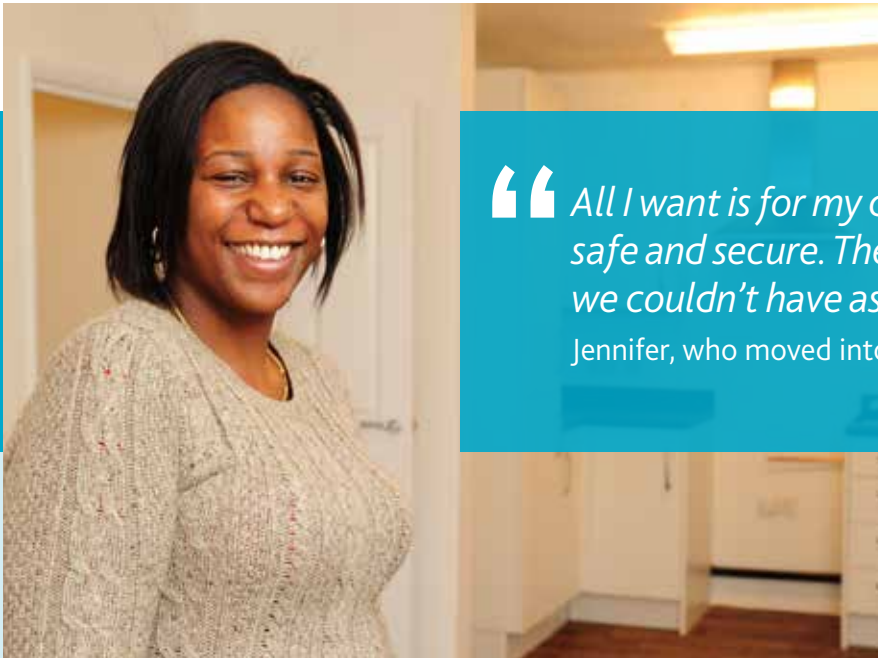
- > £70k grants awarded to Citizens Advice Bureaux (CABs) across the areas in which Paradigm operates, to enable their work providing debt advice, counselling and support, with a further £50k per year awarded last year but allocated for two years to support the Bucks Money Advice Service (see below)
- > £120k grants provided to a number of other not-for-profit organisations and community groups across the areas in which Paradigm operates to underpin wide-ranging projects including: The Oasis Partnership,

supporting people with dependency on drug and alcohol; Home Start, supporting families; ToolShed, offering further education, training and business skills for young people in more deprived areas; and local youth clubs

- > 18 small individual grants allocated to Paradigm residents for education and training, including work-based schemes to help them into employment, and relief of financial hardship
- > Strengthened and extended the financial advice available to Paradigm residents across Buckinghamshire by supporting Bucks Money Advice Service (BMAS), established through joint working with Chiltern, Wycombe and Aylesbury CABs. The service

launched formally in June 2016 and has received publicity through the local press and via the CABs. In May 2017 the service had its 1000th customer and a review of achievements in 2016-17 highlighted 847 people supported - with financial benefits estimated by the CAB as £450k, although the service has yet to be formally evaluated. We plan to work with other CABs and registered providers to promote similar joint approaches across other geographical areas so that even more people can benefit; and have started with Welwyn-Hatfield CAB in Hertfordshire.





“ All I want is for my daughter to be settled, safe and secure. The flat is absolutely perfect, we couldn't have asked for anything more. ”
Jennifer, who moved into Honeycroft Hill, Uxbridge.



“ It's everything we wanted – a space to call home. ”

Ricardo Hamilton, who moved into Bunkers Crescent, Bletchley.

DEVELOPING TALENT ACROSS THE BUSINESS

We recognise that the success of our business depends on the quality of managers and staff.

MANAGEMENT AND STAFF

Key initiatives in 2016-17 included:

- > implementation of a Learning Management System to provide assurance we are meeting legal and regulatory training requirements; increase efficiency in delivering learning and development; and offer staff more convenient access to training. The first mandatory modules cover Data Protection and the Bribery Act
- > enhanced performance management and review, with 93% of all reviews completed and submitted on time and in line with quality expectations. Further improvements are planned for 2017-18
- > launch of talent management and succession planning strategies with the focus for 2017-18 to identify future potential talent and introduce enhanced leadership and management development pathways

The intranet remains a key communication channel for all staff. It has been particularly valuable for sharing information during a period of considerable change, in particular at board and executive director level.

Andrew Lovelace joined in September 2016 as Group Finance Director and Justin McCarthy was appointed in July 2017 as permanent Director of Property Services, replacing Lee North-Smith who led our property services team on an interim basis for over a year.

PENSIONS

Paradigm participates in pension schemes with two providers: the Pensions Trust (Social Housing Pension Scheme 'SHPS') and Buckinghamshire County Council Pension Fund 'BCCPF' (Financial Statements note 23).

The executive directors are members, on similar terms as other eligible staff, of one of the pension schemes in which the Group participates.

EQUALITY AND DIVERSITY

Paradigm has embedded equality and diversity within its governance and culture so that we take positive action to:

- > eliminate discrimination, harassment and victimisation
- > advance equality of opportunity
- > foster good relations between people
- > encourage people to participate in public life or in any other activity in which their participation is disproportionately low.

During the year we revised our approach to carrying out Impact Assessments to ensure that we carry out effective reviews of the potential effects of new strategies and policies.

HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to health and safety. Paradigm has prepared and

implemented detailed health and safety policies for both residents and staff. All staff receive relevant training and education on health and safety as part of induction and through personal training programmes participate in follow-on training.

CAPITAL STRUCTURE AND TREASURY POLICY

Paradigm's capital structure is founded on long-term bank borrowings, spread across five main lenders, together with capital market bond issues. At 31 March 2017 the breakdown of borrowings was as set out in Figure 9 opposite:

Figure 9 Funding at 31 March 2017

	Arranged £m	Drawn £m	Undrawn £m
Bank loans	661.9	576.9	85.3
'Bond' issues	174.1	174.1	0.0
Total funding	836.0	751.0	85.3

The 'bond' issues have been through 'clubs' including: The Housing Finance Corporation (THFC), Affordable Housing Finance (through THFC), Haven Bond and GB Social Housing.

Borrowing facilities are at both fixed and floating rates of interest in order to manage exposure to interest rate fluctuations. Fixed rates of interest range from 1.91% to 7.00%. Floating rates are no more than 0.45% above the London Interbank Offered Rate (LIBOR). The group has no free-standing derivatives or swaps.

The Board approves the treasury policy and has confirmed key strategic targets all of which we met during the year as follows:

- > no more than 75% of debt fixed for more than 20 years
- > no more than 25% at variable or fixed rates for less than 5 years
- > appropriate fixings and/or hedging in place to ensure that no more than 35% of debt can be exposed to interest rate rises in any five year period.

Following stress-testing of the business plan financial model in June 2017, the Board approved a £30m 'buffer' to mitigate risks relating to sales demand and possible downwards pressure on house prices. This was an increase on the previous £20m buffer in light of increasing market uncertainty associated with Brexit and weakened government.

Paradigm borrows and lends only in sterling and is not exposed to currency risk.

At the year-end the group's drawn borrowings of £751.0m (2016: £705.3m) were repayable as follows:

Figure 10 Maturity profile

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Maturity					
Within one year	6.1	4.1	3.9	3.8	3.3
Between one and two years	4.5	6.0	4.0	3.9	3.7
Between two and five years	41.6	14.2	15.2	14.4	13.8
After five years	698.8	681.0	660.1	624.8	616.7
Total borrowings	751.0	705.3	683.2	646.9	637.5

Cash inflows and outflows are shown in the consolidated cash flow statement on page 46. The group net increase in cash during the period was £6.6m (2016: increase £2.8m). Paradigm's lending agreements require compliance with a number of financial and non-

financial loan covenants which are closely monitored and reported to Board each quarter. Recent reports confirmed that the group was compliant with loan covenants at the balance sheet date and this is expected to continue in the foreseeable future.

RISKS AND UNCERTAINTIES

RISKS, UNCERTAINTIES AND INTERNAL CONTROLS ASSURANCE

Key risks to the delivery of Paradigm's plans are identified, reviewed and revised throughout the year by senior management, the Audit and Risk Committee and the Board and are summarised below.

RISK AND COMMENTARY	MITIGATION
Development <ul style="list-style-type: none"> > failure to identify realistic development opportunities – affecting our ambition to grow by at least 600 new homes per year > reduction in grant support from HCA and GLA – affecting scheme viability and affordability of homes > contractor failure during, or shortly after, construction process – delayed completion and possible cost implications > failure to keep contracts to budget and time – delaying completion and having cost implications > properties not built to appropriate standard – high lifetime costs and low customer satisfaction, adversely affecting demand for properties 	<ul style="list-style-type: none"> > rigorous review of development scheme appraisal by management and Development Panel comprising three Board members, three Executive Directors and two external advisors (previously members of the Development Committee) > maintaining regular contact with the HCA and GLA on the development programme > enhancing credit checks through due diligence on new contractors and re-assessing existing contractors > monitoring progress of schemes under development, through regular meetings with contractors > in-house clerk of works overseen by experienced Quality/Technical manager to confirm compliance with building regulations and control; warranties secured to ensure contract delivery
Implementation or change of government policy <ul style="list-style-type: none"> > welfare reforms, in particular benefit cap and roll-out of Universal Credit – severe hardship for some residents leading to increased rent arrears significantly disrupting cashflow and leading to financial loss for the business > the decision to leave the European Union has created uncertainty in the the housing and financial markets – demand for properties for sale, either outright or on shared ownership basis may be affected 	<ul style="list-style-type: none"> > monitoring rental arrears and working closely with tenants and tenancy sustainment team to recover these on a timely basis > strong focus on rent recovery processes, including recovering rent as soon as it falls due (at the beginning of the week or other rent period) > use of automated possession tracker to ensure legal process properly followed > regular review and stress testing of business plan to ensure that the Group has adequate resources to deliver committed activities and development > weekly reports for management team on sales; flexibility to switch some schemes from outright sale to shared ownership has significantly reduced our exposure
Funding availability/liquidity <ul style="list-style-type: none"> > solvency risk if liquid funds insufficient to meet obligations - leading to possible covenant breach > increased borrowing costs associated with securing additional debt at short notice > shortage of security – affects ability to borrow or draw down funds and to deliver planned developments 	<ul style="list-style-type: none"> > clear treasury management strategy and policy, approved by the Board > regular communication with lenders to maintain strong relationships > close monitoring of lenders covenants, reported to the Board > regular stress-testing of financial forecasts and plans together with implementation of Board approved mitigations (most recently linked to treasury management review in June 2017) > cash availability scrutinised and six month buffer maintained > negotiating and securing new facilities well in advance of need – quarterly reports to Board on assets available for charging and secured facilities

RISK AND COMMENTARY	MITIGATION
Investment in property assets <ul style="list-style-type: none"> > inadequate investment in housing stock – non-compliance with regulatory expectations eg Decent Homes Standard adversely affecting demand for homes, reactive repair costs and reputation > knowledge of housing stock sub-optimal – increase in overall cost per property through reactive asset management rather than active asset management 	<ul style="list-style-type: none"> > stock condition surveys carried out and data held centrally on asset management system – 100% stock condition survey is in progress and will be complete by the end of the next calendar year > investment in mapping tools that will overlay external data with our own systems information on properties and estates
Procurement <ul style="list-style-type: none"> > failure to effectively procure and manage use of supply chain partners within Property Services and more widely in the business risks non-compliance with legislation and regulation and would have negative impact on Value for Money strategy 	<ul style="list-style-type: none"> > contract procurement is managed centrally by a specialist team, ensuring legal and regulatory compliance > Head of Procurement recently appointed to implement new procurement and contract management arrangements across the business with a specific focus on property services procurement where risks associated with inadequate consideration of health and safety may feature alongside poor value for money > delivery of sub-contractor procurement project will be led by the Head of Procurement in 2017-18 with anticipated on-going savings exceeding £1.3m per year
Health and safety Effective management of health and safety risk is essential for our residents, staff and contractors as well as protecting our reputation. Key areas are: <ul style="list-style-type: none"> > fire risk > gas safety > asbestos management > lifts > third-party landlord property compliance 	<ul style="list-style-type: none"> > policies covering the key areas of health and safety are regularly updated and approved by Board. Policy review is monitored by management team > programme of fire risk assessments with follow up remedial work closely monitored to ensure timely completion > compliance with gas safety testing, undertaken at every relevant property each year (key performance indicator) with an important focus being accurate base data > asbestos specialist appointed to advise/support asbestos management in the Property Services team and develop a full asbestos register > lift servicing programme monitored through compliance scorecard and lift replacement programme under development with completion in 2017-18 > landlord obligations are clearly set out within leases and a programme of visits to relevant properties has been established to confirm on-going compliance or specify works that must be undertaken to remedy any non-compliance
Information technology <ul style="list-style-type: none"> > risk of network hacking and use of viruses to infect systems > compliance with law and regulation, with new data protection requirements under General Data Protection Regulation (GDPR) from May 2018 	<ul style="list-style-type: none"> > external and internally configured firewalls are the first line of defence with daily threat reporting. Programme of network penetration tests in 2017-18 will give additional assurance > data protection training mandatory for all staff and policies and procedures programmed for update to meet new requirements from 2018

INTERNAL CONTROLS ASSURANCE

INTERNAL CONTROLS ASSURANCE

The Board acknowledges its ultimate responsibility for ensuring Paradigm has in place a system of controls that is appropriate to the various business environments in which it operates and for monitoring its effectiveness. The system is designed to manage the risk of failure to achieve business objectives and give reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Paradigm is on-going and has been in place throughout the year under review and up to the date of approval of the report and financial statements. A summary of the main policies the Board has established and processes it has adopted is set out below:

- > formal policies and procedures are in place, including the documentation of key systems and clearly defined management responsibilities for the identification and control of significant risks;
- > financial forecasts, budgets and business plans are prepared to support the Board and management as they monitor key business risks, financial objectives and progress towards financial objectives set for the year and the medium term;
- > all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board
- > a comprehensive approach to treasury management has been adopted and this approach is reviewed by the Board at least once a year, with covenant compliance reviewed at every Board meeting;
- > the Board has approved fraud policies, covering the prevention,

detection and reporting of fraud, and the recovery of assets;

- > the Board has approved anti-bribery and corruption policies;
- > experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- > the Board has delegated responsibility to the Audit and Risk Committee to review and report to the Board on reports from management, from the internal auditors and from the external auditors, to provide reasonable assurance that control procedures are in place and are being followed.

It is the Board's responsibility to establish and maintain a system of internal controls and review its effectiveness and whilst it cannot delegate this responsibility, it has delegated authority to an Audit and Risk Committee to regularly review the effectiveness of internal controls.

A fraud register is maintained and is reviewed by the Audit and Risk Committee at each meeting. During the year we detected fraud relating to theft of equipment and tools; and loss of a small amount of cash. The Group has not suffered significant financial loss as a consequence of any incidents or subsequent investigations which have led to staff dismissal. The Board receives and reviews the minutes of Audit and Risk Committee meetings.

The Audit and Risk Committee has received and considered the annual report of the internal auditor.

CHARITABLE DONATIONS

Charitable donations during the year were £0.35m (2016: £0.32m), primarily

the donation to Paradigm Foundation. There were no political donations.

GOING CONCERN

Paradigm's business activities, current financial position and factors likely to affect future development are set out in this Strategic Report. The Group has in place long-term debt facilities (including £85.3m of undrawn facilities at 31 March 2017), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. Paradigm's business plan shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

We have stress-tested the business plan through modelling the impact of uncertainty and volatility in the financial and housing markets on our financial forecasts and covenants and confirm our expectation that the Group will remain compliant with loan covenants in both short and longer term.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

STATEMENT OF RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Co-operative and Community Benefit Society legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the company and Group. In preparing those financial statements the Board are required to:

- > select suitable accounting policies and apply them consistently
- > make judgements and accounting estimates that are reasonable and prudent
- > prepare financial statements on the going basis unless it is inappropriate to presume the company and the Group will continue in business
- > state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers: Housing SORP 2014 (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping proper accounting records that are

sufficient to disclose with reasonable accuracy at any time the financial position of the Group and company and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of making this report each of the Group's directors, as set out on page 2, confirms that in so far as each director is aware:

- > there is no relevant information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware
- > each director has taken all the steps that he or she ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

STATEMENT OF COMPLIANCE

In preparing this Strategic and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers (2014).

The Board has considered the expectations of the HCA regarding

compliance with the Governance and Financial Viability Standard (Homes & Communities Agency, April 2015) and has assessed the Group's compliance. The Board certifies the Group's compliance with the Governance and Financial Viability Standard for the period commencing 1 April 2016 to the date of this report.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 27 September 2017.

EXTERNAL AUDITORS

The re-appointment of RSM UK Audit LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 19 July 2017 and signed on its behalf by:



David Easson
Chairman

FINANCIAL STATEMENTS





Our striking new development at Hitchin Road, Luton will provide 97 new homes. There will be 54 flats for affordable rent and 43 for shared ownership.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARADIGM HOUSING GROUP LIMITED

OPINION ON FINANCIAL STATEMENTS

We have audited the group and parent association financial statements of Paradigm Housing Group Limited for the year ended 31 March 2017 (the "financial statements") on pages 41 to 73. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- > give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2017 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended; and
- > have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITOR

As explained more fully in the Statement of Responsibilities of the Board set out on page 37, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them 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 and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Malborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

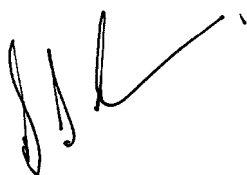
Date: 21st September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	2017 £'000	2016 £'000
Turnover	2	136,720	115,283
Operating costs	2	(80,998)	(69,952)
Operating surplus	2	55,722	45,331
Gain on disposal of property, plant and equipment (fixed assets)	4	7,156	5,353
Interest receivable	7	363	261
Interest payable and financing costs	8	(29,784)	(29,797)
Movement in fair value of investments		358	(57)
Surplus before tax		33,815	21,091
Taxation	10	(13)	-
Surplus for the financial year		33,802	21,091
Actuarial (loss)/gain in respect of LGPS pension scheme	23	(224)	821
Total comprehensive income for the year		33,578	21,912

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 19 July 2017 and signed on their behalf by:



David Easson
Chairman



Richard Archer
Board member



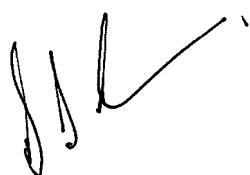
Ewan Wallace
Secretary

COMPANY STATEMENT OF COMPREHENSIVE INCOME	Notes	2017 £'000	2016 £'000
Turnover	2	20,037	20,015
Operating expenditure	2	(19,581)	(20,928)
Group donation		(225)	(250)
Operating surplus / (deficit)		231	(1,163)
Interest receivable	7	55	65
Interest payable and financing costs	8	(241)	(218)
Surplus / (deficit) before taxation		45	(1,316)
Taxation	10	-	-
Surplus / (deficit) for the financial year		45	(1,316)
Actuarial (loss)/gain in respect of LGPS pension scheme	23	(224)	821
Total comprehensive expenditure for the year		(179)	(495)

The company's results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 19 July 2017 and signed on their behalf by:



David Easson
Chairman



Richard Archer
Board member



Ewan Wallace
Secretary

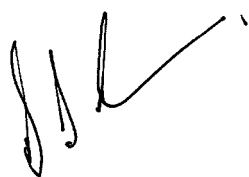
	Revenue Reserve	Revaluation Reserve	Restricted Reserve	Total Reserves
	£'000	£'000	£'000	£'000
CONSOLIDATED STATEMENT OF CHANGES IN RESERVES				
Balance as at 1 April 2015	384,480	106,216	226	490,922
Surplus for the year	21,091	–	–	21,091
Other comprehensive income for the year:				
Actuarial loss in respect of LGPS pension scheme	821	–	–	821
Transfer from revaluation reserve to income and expenditure reserves	921	(921)	–	–
Transfer of restricted income from unrestricted reserve	(3)	–	3	–
Balance as at 31 March 2016	407,310	105,295	229	512,834
Surplus/(deficit) for the year	33,802	–	–	33,802
Other comprehensive income for the year:				
Actuarial gain in respect of LGPS pension scheme	(224)	–	–	(224)
Transfer from revaluation reserve to income and expenditure reserves	597	(597)	–	–
Transfer of restricted income from unrestricted reserve	(3)	–	3	–
Balance as at 31 March 2017	441,482	104,698	232	546,412

	Revenue reserve
	£'000
COMPANY STATEMENT OF CHANGES IN RESERVES	
Balance as at 1 April 2015	(9,236)
Deficit for the year	(1,316)
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	821
Balance as at 31 March 2016	(9,731)
Deficit for the year	45
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	(224)
Balance as at 31 March 2017	(9,910)


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 £'000	2016 £'000
Tangible fixed assets			
Housing properties	11	1,201,080	1,181,991
Other fixed assets	12	11,474	12,088
Investment Properties	13	9,781	9,373
Investments	14	9,691	8,595
		1,232,026	1,212,047
Current assets			
Properties for sale	15	47,159	45,413
Debtors	16	14,489	9,565
Short term investments	17	50,765	117
Cash and cash equivalents		17,711	11,138
		130,124	66,233
Creditors: amounts falling due within one year	18	(29,833)	(25,055)
Net current assets		100,291	41,178
Total assets less current liabilities		1,332,317	1,253,225
Creditors: amounts falling due after more than one year	19	(775,801)	(730,021)
Provisions for liabilities			
Net pension liability - SHPS	23	(6,669)	(7,273)
Net pension liability - LGPS	23	(3,290)	(2,945)
Other provisions	24	(145)	(152)
Total Net assets		546,412	512,834
Reserves			
Non equity share capital	26	–	–
Revenue reserve		441,482	407,310
Revaluation reserve		104,698	105,295
Restricted reserve		232	229
Total reserves		546,412	512,834

The financial statements were approved by the Board on 19 July 2017 and signed on their behalf by:



David Easson
Chairman



Richard Archer
Board member

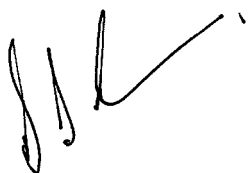


Ewan Wallace
Secretary

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors	16	1,354	17,096
Cash at bank and in hand		1,500	1,946
		2,854	19,042
Creditors: amounts falling due within one year	18	(2,660)	(18,403)
Net current assets		194	639
Provisions for liabilities			
Net pension liability - SHPS	23	(6,669)	(7,273)
Net pension liability - LGPS	23	(3,290)	(2,945)
Other provisions	24	(145)	(152)
Total Net Assets		(9,910)	(9,731)
Capital and reserves			
Non-equity share capital	26	–	–
Revenue reserve		(9,910)	(9,731)
Total Reserves		(9,910)	(9,731)

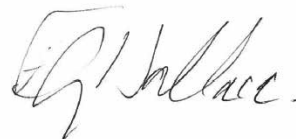
The financial statements were approved by the Board on 19 July 2017 and signed on their behalf by:



David Easson
Chairman



Richard Archer
Board member



Ewan Wallace
Secretary

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 £'000	2016 £'000
Net cash generated from operations	28	61,096	17,226
Cash flow from investing activities			
Acquisition and construction of housing properties		(35,655)	(34,037)
Purchase of other tangible fixed assets		(86)	(125)
Proceeds from sales of housing properties		17,413	16,996
Purchase of investments and investment properties		(753)	(747)
Social housing grant received		2,240	2,897
Interest received		425	252
		(16,416)	(14,764)
Cash flow from financing activities			
Interest paid		(31,695)	(32,984)
Pension fund payments		(924)	(716)
New secured loans		77,902	53,000
Repayment of borrowings		(32,142)	(30,889)
Short term cash deposits		(50,697)	17,007
Repayment of grant		(551)	(5,116)
		(38,107)	302
Net change in cash and cash equivalents		6,573	2,764
Cash and cash equivalents at the beginning of the year		11,138	8,374
Cash and cash equivalents at the end of the year		17,711	11,138

COMPANY STATEMENT OF CASH FLOWS

	Notes	2017 £'000	2016 £'000
Net cash generated from operations	28	423	792
Cash flow from investing activities			
Interest received		55	65
Cash flow from financing activities			
Pension fund payments		(924)	(716)
Net change in cash and cash equivalents		(446)	141
Cash and cash equivalents at the beginning of the year		1,946	1,805
Cash and cash equivalents at the end of the year		1,500	1,946

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The financial statements of the Group and company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP) 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The Company is a public benefit entity, part of a public benefit group.

The financial statements are presented in Sterling (£'000's except where indicated).

The financial statements have been prepared on the historical cost basis of accounting except for investments which are accounted for at fair value.

Going concern

As noted in the Board Report on page 36 the Board has reasonable expectation that the Group and company will continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Significant management judgements

Impairment of housing properties

The Board has determined whether there are indicators of impairment of its assets and in particular of housing properties carried in the financial statements at cost or deemed cost on transition. Factors taken into consideration in reaching such a decision include economic viability and expected future financial performance of the assets.

Classification of financial instruments

In considering the appropriate classification of financial instruments as 'basic' or 'non-basic' the Board has reviewed the definitions given in FRS 102 Section 11. When assessing the 'basic' nature of financial instruments, clause 11.9(b) refers to principal and current/prior interest. Under our agreements breakage costs are payable in respect of future interest payments so the Board does not consider these should be taken into account when assessing whether instruments are 'basic' or 'other'. In addition, clause 11.9(c) states that contractual terms which require the issuer to compensate the holder on early termination do not breach the 'basic' test. Whilst there is no specific mention of compensation from the holder back to the issuer, the Board does not consider silence to be grounds on which financial instruments should be classed as 'other'.

Estimates

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets

at each reporting date based on the expected use of the assets. Uncertainties in these estimates relate to technological innovation, maintenance programmes or changes in homes standards that may require more frequent replacement of key components.

Defined benefit obligation

Management's estimate of the defined benefit obligations (in both Local Government Pension Scheme and Social Housing Pension Scheme) is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact both defined benefit obligation and the annual defined benefit expenses (note 23).

Related Party Transactions

The Group has taken advantage of the exemptions permitted under FRS 102 - Related Party Disclosures, and does not disclose transactions with wholly owned group undertakings that are eliminated in consolidation.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and all its subsidiaries at 31 March 2017 using acquisition accounting. Details of subsidiaries are shown in note 34.

Turnover and revenue recognition

Turnover for the Group represents rental and service charge income receivable in the year, after deducting voids, income from shared ownership first-tranche sales, sales of properties built for outright sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sale and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. For the company, turnover represents management services to other members of the Group and other services. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Deferred taxation

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in difference periods from their recognition in the financial statements. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For investment properties at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the property.

Value Added Tax (VAT)

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and

Customs. The balance of VAT payable or recoverable at the year-end is shown as a current liability or asset.

Properties for sale

Shared ownership first-tranche sales, completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads, capitalised interest and where appropriate less any grant receivable. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Interest payable

Interest is capitalised on borrowings to finance developments of qualifying assets to the extent that it accrues in the period of development if it represents:

- a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
- b) a fair amount of interest on borrowings of the Group as a whole after deduction of government grants received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable on bank loans is charged to the income and expenditure account in the year in which it is incurred. Capitalised interest and interest on intercompany balances is calculated on a weekly basis at the Group's average external borrowing rate.

Pension costs

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS).

For SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. However, in accordance with FRS 102, the company and Group recognise the deficit funding arrangement as a liability at the net present value of the contributions payable relating to the deficit.

For LGPS, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets in the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

The Group also participates in a defined contribution scheme and the income and expenditure charge represents the employer's contribution payable to the scheme for the accounting period.

Fixed asset investments

Fixed asset investments are stated at fair value. Changes in fair value are taken to the Statement of Comprehensive Income.

Donated land

Land donated by local authorities and others is added to cost at the fair value of the land at the time of the donation. Where the land is donated by a public body an amount equivalent to the

increase in value between fair value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Housing properties

Housing properties are principally properties available for rent and shared ownership and are stated at deemed cost being the Existing Use Value - Social Housing valuation at 31 March 2014 plus subsequent additions at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties at the following rates:

Assets	Annual rates	Years
Structure	1.0%	100
Roofs	1.4%	70
Windows and doors	2.5%	40
Kitchens	3.3%	30
Bathrooms	2.5%	40
Heating systems	5.6%	18

Freehold land is not depreciated.

Completed shared ownership properties that are held as fixed assets are generally not depreciated. Where the residual value of the assets exceeds historic cost, due principally to the expectation that staircasing will occur within a reasonable timescale, no depreciation charge arises.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure. Where an asset is currently deemed not to be providing service potential to the Group, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

Depreciation is provided on the cost of other tangible fixed assets on a straight-

line basis so as to write them down to their estimated residual values over their expected economic useful lives. The expected useful economic lives are:

Assets	Years
Freehold offices	30
Leasehold office improvements	30 (or the term of the lease, whichever is shorter)
Office equipment and computers	3 – 5
Office furniture	7
Telephone system	7
Scheme furniture and equipment	5 – 10
Photo voltaic panels	25

Investment Properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for the business. Investment properties are measured at cost on initial recognition and subsequently at fair value at year end, with changes in fair values recognised in income and expenditure.

Government Grants

Government grants include grants receivable from the Homes and Communities Agency (HCA), local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Government grants received in relation to housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to the Recycled Capital Grant Fund or Disposal Proceeds Fund and reflected in the Statement of Financial Position. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income.

Nomination grants

Where the Group receives a payment in return for nomination rights (where a council can select a new tenant for a housing association property) over a period of more than one year, the income is held as deferred income in the statement of financial position and amortised over the life of the nomination agreement. Each year an equal proportion of the income is credited to income, the balance remaining is shown as deferred income in the statement of financial position.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Group is recognised only when these conditions are met. A grant received before revenue recognition criteria are satisfied is recognised as a liability.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with

banks, other short-term highly liquid investments with original maturities of one month or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Current asset – short term investments

Other short-term liquid investments with original maturities of between one and twelve months. Investments are stated at fair value. Changes in fair value are taken to the Statement of Comprehensive Income.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Restricted reserve

These are funds which can only be used within the objects of the Welwyn Hatfield Foyer Charitable Trust for the following restricted purposes:

- > to provide small grants to local employers to help them offer modern apprenticeships in areas of skill shortages to young people in the Welwyn Hatfield area;
- > to provide general support for local employment and training schemes for young people in the Welwyn Hatfield area, linked to the Welwyn Hatfield Foyer project;
- > to provide community initiatives in the Welwyn Hatfield area which support activities such as anti-poverty, community development, equality, economic regeneration and improving the environment.

The primary objective of the Welwyn Hatfield Foyer Charitable Trust is to relieve poverty by the provision of accommodation and any associated amenities for single homeless persons

in necessitous circumstances between the ages of sixteen and twenty five years in the administrative area of Welwyn Hatfield, and to further help those so accommodated who are in need of advice, counselling and other forms of aid to find employment, training, education and other benefit to prepare them for a settled way of life in the community.

Revaluation reserve

Before the properties were carried at deemed cost, whenever there was any re-valuation of housing properties, the difference between the valuation and carrying value of the land and structure elements of housing properties was credited to the revaluation reserve. Where such assets are disposed of any related revaluation surplus is transferred to the revenue reserve.

Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially

measured at the transaction price.

Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a fair rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income or expenditure for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income or expenditure.

Financial liabilities

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financial transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a fair rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the

effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover	2017		Operating surplus / (deficit) £'000
		Cost of sales	Operating costs	
GROUP – CONTINUING ACTIVITIES	£'000	£'000	£'000	£'000
Social housing lettings (page 53)	86,727	–	(43,191)	43,536
Other social housing activities				
– Supporting People contract income	129	–	(123)	6
– Corporate services	217	–	(177)	40
– Development costs	–	–	(254)	(254)
– First tranche shared ownership sales	23,893	(13,880)	–	10,013
– Other support services	15	–	–	15
– Office equipment, other rental and licence fees	343	–	(885)	(542)
	24,597	(13,880)	(1,439)	9,278
Non-social housing activities:				
– outright property sales	22,111	(20,896)	–	1,215
– lettings	3,285	–	(1,557)	1,728
– other	–	–	(35)	(35)
	25,396	(20,896)	(1,592)	2,908
Total	136,720	(34,776)	(46,222)	55,722

	Turnover	2016		Operating surplus / (deficit) £'000
		Cost of sales	Operating costs	
GROUP – CONTINUING ACTIVITIES	£'000	£'000	£'000	£'000
Social housing lettings (page 53)	85,225	–	(45,789)	39,436
Other social housing activities				
– Supporting People contract income	131	–	(121)	10
– Corporate services	1,013	–	(2,260)	(1,247)
– Development costs	–	–	21	21
– First tranche shared ownership sales	25,131	(18,955)	–	6,176
– Other support services	18	–	–	18
– Office equipment, other rental and licence fees	260	–	(1,020)	(760)
	26,553	(18,955)	(3,380)	4,218
Non-social housing activities:				
– lettings	3,505	–	(1,828)	1,677
	3,505	–	(1,828)	1,677
Total	115,283	(18,955)	(50,997)	45,331

	2017			
	Turnover	Donation	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000
COMPANY – CONTINUING ACTIVITIES				
Other social housing activities	20,037	(225)	(19,581)	231
Non-social housing activities	–	–	–	–
	20,037	(225)	(19,581)	231

	2016			
	Turnover	Donation	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000
Other social housing activities	20,015	(250)	(20,928)	(1,163)
Non-social housing activities	–	–	–	–
	20,015	(250)	(20,928)	(1,163)

There are no social housing lettings within the Company.

Particulars of income and expenditure from social housing lettings

	2017				2016	
	General needs housing	Supported housing and housing for older people	Temporary social housing	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
GROUP – CONTINUING ACTIVITIES						
Income:						
Rent receivable net of identifiable service charges	67,359	535	8,136	6,101	82,131	80,661
Service income	2,728	359	40	638	3,765	3,820
Fee income	–	–	663	–	663	519
Amortised government grants	132	–	–	–	132	67
Revenue grants	–	36	–	–	36	158
Turnover from social housing lettings	70,219	930	8,839	6,739	86,727	85,225
Operating costs:						
Management	4,162	374	883	732	6,151	6,543
Services	3,107	329	46	727	4,209	4,008
Routine maintenance	7,417	121	173	13	7,724	8,852
Planned maintenance	5,792	16	42	2	5,852	7,152
Bad debts	216	10	238	–	464	568
Property lease charges	13	–	6,557	–	6,570	7,227
Depreciation	11,287	51	–	–	11,338	9,885
Other costs	794	5	24	60	883	1,554
Operating costs of social housing lettings	32,788	906	7,963	1,534	43,191	45,789
Operating surplus from social housing lettings	37,431	24	876	5,205	43,536	39,436
Void losses	257	13	236	–	506	711

NOTES TO THE FINANCIAL STATEMENTS *continued...*

3. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group 2017 Number of properties	Group 2016 Number of properties
Social housing		
General needs housing – social and intermediate rent	8,672	8,273
General needs housing – affordable rent	1,862	1,576
Supported housing and housing for older people	269	846
Low cost home ownership	1,893	1,829
Temporary social housing	45	42
Total owned	12,741	12,566
Temporary social housing – short leasehold	580	626
Accommodation managed for others	13	20
Total owned and managed	13,334	13,212
Non-social housing		
Market rented properties	186	192
Leasehold properties	711	687
Total owned and managed	897	879
Accommodation in development at 31 March:		
General needs housing	631	587
Low cost home ownership	980	629
Outright sales	23	339
Total under development	1,634	1,555

4. Surplus on sale of fixed assets

	Housing properties	Other fixed assets	Group 2017 Total £'000	Group 2016 Total £'000
Proceeds	17,413	–	17,413	16,996
Transfer to Recycled Capital Grant Fund	(1,493)	–	(1,493)	(2,028)
Net book value of properties sold	(8,560)	–	(8,560)	(9,414)
Other costs	(204)	–	(204)	(201)
	7,156	–	7,156	5,353

5. Employees

	Group and Company	
	2017	2016
AVERAGE MONTHLY NUMBER OF EMPLOYEES EXPRESSED AS FULL TIME EQUIVALENTS	Number	Number
Administration	105	95
Development	27	30
Housing and support	87	97
Maintenance	175	182
	394	404

Full time equivalents are calculated based on a standard working week of 37 – 42.5 hours.

	Group and Company	
	2017	2016
STAFF COSTS FOR EMPLOYEES INCLUDING EXECUTIVE DIRECTORS	£'000	£'000
Wages and salaries	14,278	14,403
Social security costs	1,386	1,285
Pension costs	843	2,594
	16,507	18,282

The staff numbers and costs above exclude non-executive members of the Board (note 6).

Pension costs relate to participation in the Local Government Pension Scheme (LGPS), in the Social Housing Pension Scheme (SHPS) or in defined contributions stakeholder arrangements. Further information on LGPS and SHPS is given in note 23.

6. Key management personnel remuneration

	Group and Company	
	2017	2016
Directors are defined as members of the Board, including the Chief Executive	£	£
Executive directors	887,233	840,254
Non-executive directors	78,846	81,653
Aggregate remuneration payable to directors including pension contributions and benefits in kind	966,079	921,907
Cost of directors (as above) including employers NI	1,040,511	997,786
Highest paid director:		
Remuneration payable to the highest paid director (2017: the Interim Director of Property Services, 2016: the Group Director of Finance)	253,219	140,202

	Group and Company	
	2017	2016
THE FULL-TIME EQUIVALENT NUMBER OF STAFF INCLUDING DIRECTORS WHO RECEIVED EMOLUMENTS	No.	No.
£60,000 to £70,000	8	8
£70,001 to £80,000	2	1
£80,001 to £90,000	3	3
£90,001 to £100,000	1	2
£110,001 to £120,000	2	1
£120,001 to £130,000	1	1
£130,001 to £140,000	2	1
£250,000 to £260,000	1	–

Chief Executive pension contributions:

The Chief Executive is an ordinary member of the Defined Contribution Social Housing Pension Scheme (SHPS) (See note 23). The group pays 11% employer contributions on a matched basis and does not make a contribution to any other pension arrangement for the Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

7. Interest receivable and other income

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest receivable from short term deposits	363	261	–	–
Interest receivable from group companies	–	–	55	65
	363	261	55	65

8. Interest payable and similar charges

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Pension interest expense:				
Defined Benefit Scheme	101	110	101	110
Defined Contribution Scheme	140	108	140	108
	241	218	241	218
On bank loans, overdrafts and other loans:				
Repayable within five years	1,036	575	–	–
Repayable in more than five years	31,334	33,049	–	–
	32,370	33,624	–	–
Interest payable capitalised on properties in the course of construction	(2,827)	(4,045)	–	–
Total	29,784	29,797	241	218
Capitalisation rate used to determine the finance costs capitalised during the period	4.4%	4.6%		

9. Operating surplus

The operating surplus is arrived at after charging:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Depreciation of housing properties	10,930	7,534	–	–
Depreciation of other owned fixed assets	700	737	–	–
Operating lease rentals				
- land and buildings	6,570	7,227	–	–
- office equipment and computers	–	–	–	–
Auditors' remuneration (excluding VAT)				
- Fees payable to the Association's auditors for the audit of the financial statements	44	44	3	3
- Audit of the financial statements of the Association's subsidiaries pursuant to legislation	9	9	–	–
Total audit services	53	53	3	3
- All other services	–	–	–	–
Total non-audit services	–	–	–	–

10. Taxation

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<i>UK Corporation tax</i>				
Current tax on income for the period	–	–	–	–
Adjustments in respect of prior years	13	–	–	–
Tax on surplus on ordinary activities	13	–	–	–

The tax charge for the period differs to the standard rate of corporation tax as explained below:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Surplus/(Deficit) on ordinary activities before tax	33,815	21,091	45	(1,316)
Surplus/(Deficit) from charitable activities	(33,076)	(23,309)	–	–
Surplus/(Deficit) from non-charitable activities	739	(2,218)	45	(1,316)
Tax on deficit/surplus on ordinary activities at standard corporation tax rate of 20% (2015: 21%)	145	(443)	9	(263)
Effects of:				
Expenses not deductible for tax	(78)	–	–	–
Other permanent differences	(14)	293	45	2
Adjustments in respect of prior year - CT	13	–	–	–
Deferred tax not recognised	1	(16)	–	(29)
Pension deficit not recognised	(54)	290	(54)	290
Fair value movement on investment property	–	(124)	–	–
Total current tax charge	13	–	–	–

Factors that may affect future tax charges

It was announced in the budget 8 July 2015 that the UK corporation tax rate will reduce to 19% from 1 April 2017. This rate was substantively enacted on 26 October 2015. Further reductions in the UK corporation tax rate to 17% from 1 April 2020 has also been announced and substantively enacted in September 2016.

Deferred tax balances have been stated at a rate at which the items are expected to reverse in line with the dates noted above.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

11. Tangible fixed assets – Housing Properties – Group

	Housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2016	1,096,995	33,048	144,608	20,026	1,294,677
Reclassification in respect of opening balances #	–	–	(11,482)	11,482	–
Additions	18	29,579	44	1,796	31,437
Property improvements	4,218	–	–	–	4,218
Transfers to completed schemes	18,160	(18,160)	10,058	(10,058)	–
Disposals	(2,289)	–	(7,112)	–	(9,401)
Interest capitalised	–	1,155	–	756	1,911
At 31 March 2017	1,117,102	45,622	136,116	24,002	1,322,842
Less Depreciation and Impairment					
At 1 April 2016	97,328	–	15,358	–	112,686
Charge for the year	10,930	–	–	–	10,930
Eliminated in respect of disposals	(1,203)	–	(651)	–	(1,854)
At 31 March 2017	107,055	–	14,707	–	121,762
Net book value at 31 March 2017	1,010,047	45,622	121,409	24,002	1,201,080
Net book value at 31 March 2016	999,667	33,048	129,250	20,026	1,181,991

Adjustment to opening balance relates to reclassification of completed schemes and schemes under construction.

	2017 £'000	2016 £'000
Freehold land and buildings	1,073,736	1,053,357
Long leasehold land and buildings	125,417	127,021
Short leasehold land and buildings	1,927	1,613
	1,201,080	1,181,991

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2017 £'000	2016 £'000
Completed properties acquired	1,250	1,401
Components capitalised	5,750	7,325
Component write offs	(1,532)	(1,669)
Property Improvements	4,218	5,656
Other works to existing properties	62	(36)
Amounts capitalised	5,530	7,021
Amounts charged to income and expenditure	13,576	16,004
	19,106	23,025

SOCIAL HOUSING ASSISTANCE

	2017 £'000	2016 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Held as deferred income (note 22)	21,612	20,055
Recognised in the Statement of comprehensive income	315,877	321,784
Total government grant	337,489	341,839

Valuation of Housing Properties

Completed housing properties are shown at deemed cost with a revaluation relating to transitional value at 31 March 2014.

DEEMED COST AT 31 MARCH IS REPRESENTED BY:	2017 £'000	2016 £'000
Historical cost	1,218,144	1,189,382
Less: depreciation	(121,762)	(112,686)
Historical cost net book value	1,096,382	1,076,696
Revaluation reserve	104,698	105,295
Net book value at 31 March	1,201,080	1,181,991

Information on valuation of housing properties

Certain loan covenants require disclosure of existing use value of social housing or historical cost for housing property assets. The relevant disclosures are set out below:

Completed properties at 30 November 2016 of 12,766 were valued by Savills (UK) Limited at £1,118,507k and the net addition of 102 properties since

that time are valued by management at £8,749k using the same average value as the valued stock. Total valuation at 31 March 2017: £1,127,256k. The following is the valuer's statement:

Savills (UK) Limited, part of the Savills Group, is a general practice firm providing surveying and valuation services around the country. The valuer is "external" and our valuation is at 31 March 2017.

The valuation has been made in accordance with the current edition of the RICS Red Book and takes into account (where appropriate) the Housing Corporation's "Performance Indicators" for Registered Social Landlords and the Rent Restructuring Regime applicable from 2002 onwards.

12. Tangible fixed assets – other – Group

	Freehold office properties £'000	Leasehold office improvements £'000	Photo-voltaic panels £'000	Equipment, fixtures and vehicles £'000	Total £'000
Cost					
At 1 April 2016	12,321	1,609	1,027	1,506	16,463
Additions	–	–	–	86	86
Disposals	–	–	–	–	–
At 31 March 2017	12,321	1,609	1,027	1,592	16,549
Depreciation					
At 1 April 2016	2,742	690	164	779	4,375
Charge for the year	410	54	50	186	700
Disposals	–	–	–	–	–
At 31 March 2017	3,152	744	214	965	5,075
Net book value at 31 March 2017	9,169	865	813	627	11,474
Net book value at 31 March 2016	9,579	919	863	727	12,088

NOTES TO THE FINANCIAL STATEMENTS *continued...*

13. Investment properties, non-social housing properties held for letting

VALUATION	2017 £'000	2016 £'000
At 1 April	9,373	9,020
Additions	30	56
Disposals	(13)	(325)
Increase in value	391	622
At 31 March	9,781	9,373
Number of properties in ownership	61	61

Investment properties were valued at 31 March 2017. The group's investment properties have been valued by Savills (UK) Limited, part of the Savills Group, a general practice firm providing surveying and valuation services around the country. The full valuation of properties was undertaken in accordance with the Royal Institution of Chartered Surveyors' ("RICS") Valuation - Professional Standards UK, the "RICS Red Book", effective from 6 January 2014 (revised April 2015).

Market rent stocks have been valued on the basis of a discount to vacant possession value to reflect the current assured shorthold tenancies.

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

	2017	2016
Discounted rate (real)	6.25%	6.25%
Annual inflation rate (long term)	2.00%	2.00%

14. Investments

The long term investments relating to The Housing Finance Corporation, AHF Bond and Haven 32 are security deposits required in relation to the Association's bond funding with these organisations and are held at valuation.

LONG TERM INVESTMENTS	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
The Housing Finance Corporation Ltd	6,259	5,876	–	–
Haven Bond issues security deposit	2,703	1,969	–	–
AHF Bond	729	750	–	–
Valuation at 31 March	9,691	8,595	–	–
Cost at 31 March	7,413	6,777	–	–

MOVEMENT OF LONG TERM INVESTMENTS	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 April	8,595	7,896	–	–
New investment	723	750	–	–
Interest received	14	9	–	–
Surplus/(deficit) on revaluation	359	(60)	–	–
Valuation at 31 March	9,691	8,595	–	–

15. Properties for sale

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Properties under construction	44,414	40,383	–	–
Completed properties	2,745	5,030	–	–
At 31 March	47,159	45,413	–	–

During the year, £916k (2016: £2,205k) interest costs directly attributable to the financing of properties for sale were capitalised at the average cost of borrowings 4.2% (2016: 4.6%).

16. Debtors

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Rent and service charges receivable	5,477	5,503	–	–
Less bad debt provision	(927)	(786)	–	–
	4,550	4,717	–	–
Social Housing Grant receivable	25	25	–	–
Prepayments and accrued income	5,057	3,051	186	198
Amount owed by group undertakings	–	–	–	16,448
Other debtors	4,857	1,772	1,168	450
At 31 March	14,489	9,565	1,354	17,096

17. Short term investments

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
32 day notice deposits and sinking fund	50,765	117	–	–
At 31 March	50,765	117	–	–

18. Creditors: Amounts falling due within one year

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade creditors	2,434	2,511	1,226	1,371
Loans repayable in less than one year	6,117	4,056	–	–
Amounts owed to Group undertakings	–	–	736	15,929
Rent and service charges in advance	4,126	2,734	–	–
Corporation tax	13	–	–	–
Other taxation and social security payable	332	472	360	508
Deferred capital grant (note 22)	411	135	–	–
Other creditors	983	764	–	68
Accruals and deferred income	15,417	14,383	338	527
At 31 March	29,833	25,055	2,660	18,403

NOTES TO THE FINANCIAL STATEMENTS *continued...*

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

	Group	
	2017 £'000	2016 £'000
Bank loans	744,931	701,238
Other loans	370	370
Deferred income	325	345
Recycled capital grant fund (note 20)	7,564	6,742
Disposal proceeds fund (note 21)	1,410	1,406
Deferred grant (note 22)	21,201	19,920
At 31 March	775,801	730,021

Bank loans

Of the £744,931k (2016: £701,238k) bank loans due after more than one year and drawn down at 31 March 2017, £611,806k (2016: £691,268k) was fixed with interest rates varying from 1.911% to 7.00%. The balance of £133,125k (2016: £9,970k) has interest rates varying from 0.27% to 0.45% above the London Inter-Bank Offer Rate.

These loans, and those repayable within one year, are secured by a first charge on 10,386 of the Group's properties and are repayable as follows:

	Group	
	2017 £'000	2016 £'000
One year or more but less than two years	4,458	5,989
Two years or more but less than five years	41,583	14,173
Five years or more	698,890	681,076
At 31 March	744,931	701,238

Included in housing loans above are unamortised arrangement fees of £333k (2016: £354k). These fees are being amortised over the period of the loans which range from 10 years to 20 years.

Other loans

This represents deferred land acquisition costs of £370k which under certain circumstances is repayable to the New Towns Commission.

Deferred income

Deferred income represents payments in advance from a charitable organisation for nomination rights and other agreements, amortised over the remaining period of the agreements. The income is released on a straight line basis over the period of the agreement, there are between 1 and 19 years remaining

20. Recycled capital grant fund

	Group HCA		Company GLA	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 April	4,306	4,905	2,436	1,465
Adjustment to opening balance	–	–	(153)	–
Inputs to fund:				
Grants recycled	572	1,025	921	1,003
Interest accrued	9	15	14	21
Recycling of grant				
Purchase and development of properties	(541)	(1,639)	–	(53)
At 31 March	4,346	4,306	3,218	2,436

Recycled Capital Grant Fund is capital grant provided through the Homes and Communities Agency and local authorities which is repayable in certain circumstances, but for which the Group is proposing to exercise its option to recycle into new projects. Withdrawals from the Recycled Capital Grant Fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties. No amount is due for repayment to the HCA or GLA (2016: nil).

21. Disposal proceeds fund

		Group HCA	
		2017 £'000	2016 £'000
At 1 April		1,406	1,399
Inputs to fund:	Interest accrued	4	7
Withdrawals:	Acquisition of dwellings for letting	–	–
At 31 March		1,410	1,406

Disposal Proceeds Fund comprises the net proceeds from sales of housing properties to tenants under voluntary and statutory purchase grant schemes. Withdrawals from the Disposal Proceeds Fund were used for acquisition of dwellings for letting. No amount is due for repayment to the HCA (2016: nil).

22. Deferred capital grant

	Group		Group	
	2017 Completed schemes £'000	2017 Under construction £'000	2016 Completed schemes £'000	2016 Under construction £'000
GOVERNMENT GRANT				
At 1 April	13,420	6,635	6,723	15,493
Grant received in the year	–	2,240	–	3,022
Grant repaid in the year	–	(551)	–	(5,116)
Transfer to completed schemes	928	(928)	6,764	(6,764)
Disposal	–	–	–	–
	14,348	7,396	13,487	6,635
Grant Amortised	(132)		(67)	–
At 31 March	14,216	7,396	13,420	6,635
Amounts to be released within one year	142	269	135	–
Amounts to be released in more than one year	14,074	7,127	13,285	6,635
	14,216	7,396	13,420	6,635

NOTES TO THE FINANCIAL STATEMENTS *continued...*

23. Pension Obligations

The Group contributes to two defined benefit schemes, the assets of which are held in separately administered funds under the management of Buckinghamshire County Council (Local Government Pension Scheme) and the Social Housing Pension Scheme administered by The Pensions Trust.

For the Social Housing Pension Scheme, there is not sufficient information to account for the scheme as a defined benefit scheme, it is accounted for as a defined contribution scheme. However, in accordance with FRS 102, the company recognises the deficit funding arrangement as a liability at the net present value of contributions payable relating to the deficit.

In accordance with FRS102, pension costs in relation to the Buckinghamshire County Council Pension Fund are recognised in the accounting period in which the benefits are earned and the related finance costs are recognised in the accounting period in which they arise. The pension costs are charged in the accounts in accordance with valuation advice prepared by qualified actuaries using the projected unit method. The assumptions which have the most significant effect upon these valuations are those relating to the difference between the changes in pension increases and deferred revaluation, and the changes in life expectancy assumptions.

The Pensions Trust – Social Housing Pension Scheme (SHPS)

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable

for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions	
Tier 1: From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2: From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3: From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4: From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The Pensions Trust – Social Housing Pension Scheme (SHPS)

PRESENT VALUES OF PROVISION	2017 £'000	2016 £'000	2015 £'000
Present Value of Provision	6,669	7,273	5,977

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	2017 £'000	2016 £'000
Provision at the start of the period	7,273	5,977
Unwinding of the discount factor (interest expense)	140	108
Deficit contribution paid	(924)	(716)
Remeasurements – impact of any change in assumptions	180	(43)
Remeasurements – amendments to the contribution schedule	–	1,947
Provision at the end of the period	6,669	7,273

INCOME AND EXPENDITURE IMPACT	2017 £'000	2016 £'000
Interest Expense	140	108
Remeasurements – impact of any change in assumptions	180	(43)
Remeasurements – amendments to the contribution schedule	–	1,947
	320	2,012

ASSUMPTIONS	2017 % per annum	2016 % per annum	2015 % per annum
Rate of discount	1.33	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

23. Pension obligations (continued)

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME (SHPS)	2017 £'000	2016 £'000	2015 £'000
Year Ending			
Year 1	961	924	715
Year 2	1000	961	746
Year 3	1041	1000	778
Year 4	878	1041	812
Year 5	701	878	847
Year 6	728	701	678
Year 7	588	728	495
Year 8	438	588	515
Year 9	451	438	370
Year 10	232	451	213
Year 11	–	232	219
Year 12	–	–	113
Year 13	–	–	–
At 31 March	7,018	7,942	6,501

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Retirement benefits – Buckinghamshire County Council Pension Fund

Some employees of the Group are admitted to the Buckinghamshire County Council Pension Fund ("the Fund"), which is administered by Buckinghamshire County Council in accordance with the Local Government Pension Scheme (LGPS) Regulations 2014, was contracted out of the State Second Pension until April 2016 and currently provides benefits based on career average revalued salary and length of service on retirement. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations.

The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The contribution by the Group during the year was £69k covering an average of 9 employees (2016: £77k covering 9 employees) at a contribution rate of 16% (2016: 16%) of pensionable salaries. The Group estimates that the contribution to be paid to the fund during the accounting period commencing 1 April 2017 is £69k at a contribution rate of 16.9%. Employee contributions vary between 6.5% and 8.5% of pensionable pay.

Demographic/Statistical Assumptions

The demographic assumptions that have been used are consistent with those used for the most recent completed Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% per annum.

The assumed life expectancy from age 65 are:

	At 31 March	
	2017	2016
Retiring today		
Males	23.9	23.8
Females	26	26.2
Retiring in 20 years		
Males	26.1	26.1
Females	28.3	28.5

Financial Assumptions

The financial assumptions used for the purposes of the FRS102 calculations are as follows:

	At 31 March		
	2017	2016	2015
Salary Increases	4.0%	4.0%	4.1%
Pensions Increases	2.5%	2.2%	2.3%
Discount Rate	2.5%	3.5%	3.1%

These assumptions are set with reference to market conditions at 31 March 2017. The discount rate is the annualised yield at the 15 year point on the Merrill Lynch AA-rated corporate bond curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date. Barnett Waddingham's estimate of the duration of the Employer's liabilities is 15 years.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 15 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.4% p.a. This is consistent with the approach used at the last accounting date. As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, Barnett Waddingham have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.5% p.a., which is a slightly higher differential than last year. Barnett Waddingham believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. However, Barnett Waddingham have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

23. Pension obligations (continued)

Retirement Benefits – Buckinghamshire County Council Pension Fund (continued)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017	2017 £'000	2016 £'000	2015 £'000
Present value of funded obligation	(13,188)	(11,661)	(12,651)
Fair value of scheme assets (bid value)	10,181	8,992	9,354
Net liability	(3,007)	(2,669)	(3,297)
Present value of unfunded obligation	(283)	(276)	(314)
Net defined benefit liability	(3,290)	(2,945)	(3,611)
ANALYSIS OF AMOUNT CHARGED IN THE INCOME AND EXPENDITURE ACCOUNT:	2017 £'000	2016 £'000	
Service Cost	82	115	
Administration Expenses	7	7	
Operating costs sub-total	89	122	
Net interest on the defined liability (asset)	101	110	
Total expense	190	232	

£89k (2016: £122k) was charged to operating costs and £101k (2016: £110k) was charged to finance costs.

Sensitivity analysis

Sensitivities regarding the principal assumptions used to measure scheme liabilities are set out below:

ADJUSTMENT TO THE DISCOUNT RATE:	+0.1% £'000	0.0% £'000	-0.1% £'000
Present value of total obligation	13,278	13,471	13,666
Projected service cost	115	118	121
ADJUSTMENT TO LONG TERM SALARY INCREASE:	+0.1% £'000	0.0% £'000	-0.1% £'000
Present value of total obligation	13,487	13,471	13,455
Projected service cost	118	118	118
ADJUSTMENT TO PENSION INCREASES AND DEFERRED REVALUATION:	+0.1% £'000	0.0% £'000	-0.1% £'000
Present value of total obligation	13,650	13,471	13,294
Projected service cost	121	118	115
ADJUSTMENT TO LIFE EXPECTANCY ASSUMPTIONS:	+1 year £'000	none £'000	-1 year £'000
Present value of total obligation	14,040	13,471	12,926
Projected service cost	122	118	114

CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION:	2017 £'000	2016 £'000
Opening balance defined benefit obligation	11,937	12,965
Current service cost	82	115
Interest cost	407	392
Change in Financial Assumptions	2,102	(912)
Change in demographic assumptions	(379)	-
Experience gain on defined benefit obligation	(78)	(15)
Estimated benefits paid net of transfers in	(601)	(612)
Contributions by scheme participants	21	25
Unfunded pension payments	(20)	(21)
Closing defined benefit obligation	13,471	11,937

CHANGES IN VALUE OF SCHEME ASSETS:	2017 £'000	2016 £'000
Opening fair value of scheme assets	8,992	9,354
Interest on assets	306	282
Return on assets less interest	1,219	(106)
Other actuarial gains	202	-
Administration expenses	(7)	(7)
Contributions by employer including unfunded	69	77
Contribution by Fund participants	21	25
Estimated benefits paid including unfunded benefits	(621)	(633)
Fair value of scheme assets at end of period	10,181	8,992

The total return on the fund assets for the year to 31 March 2017 is £1,525,000.

RE-MEASUREMENTS IN OTHER COMPREHENSIVE INCOME	2017 £'000	2016 £'000
Return on fund assets in excess of interest	1,219	(106)
Other actuarial gains on assets	202	-
Change in financial assumptions	(2,102)	912
Change in demographic assumptions	379	-
Experience gain on defined benefit obligation	78	15
Remeasurement of the (defined liability)/net assets	(224)	821

PROJECTED PENSION EXPENSE FOR THE YEAR TO 31 MARCH 2018	Year to 31/03/18 £'000s
Service cost	118
Net interest on the defined liability (asset)	81
Administration expenses	8
Total cost	207
Employer contributions	48

Note that these figures exclude the cost of any early retirements or augmentations which may occur after 31 March 2017. These projections are based on the assumptions as at 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

24. Holiday pay

	Group and Company	
	2017 £'000	2016 £'000
As at 1 April	152	148
(Decrease) / Increase in provision	(7)	4
As at 31 March	145	152

25. Deferred Tax

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

The elements of deferred taxation are as follows:

	Unprovided deferred tax			
	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Difference between accumulated depreciation and amortisation and capital allowances	(10)	(11)	(10)	(11)
Pension scheme deficit	(1,729)	(1,839)	(1,729)	(1,839)
Deferred tax asset	(1,739)	(1,850)	(1,739)	(1,850)

The above deferred tax assets have not been recognised due to uncertainties as to the extent and timing of its future recovery.

26. Non-equity share capital

	Company	
	2017 £	2016 £
Allotted, issued and fully paid		
At 1 April	9	10
Issued during the year	–	–
Surrendered during the year	(4)	(1)
At 31 March	5	9

Each member of the Board, apart from the co-opted members, holds one ordinary share of £1 in the Company.

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions on winding up.

27. Financial assets and liabilities

	Group	
	2017 £	2016 £
Financial assets that are debt instruments measured at amortised cost	9,388	8,772
Financial liabilities measured at amortised cost	(768,963)	(721,953)

28. Net cash generated from operations

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Surplus for the year	33,802	21,091	45	(1,316)
Adjustments for non-cash items:				
Depreciation charges	9,776	8,271	–	–
Increase in properties for sale	(1,746)	(35,780)	–	–
Decrease / (increase) in debtors	(4,924)	1,464	15,742	(8,838)
(Decrease) / increase in creditors	2,384	(3,946)	(15,743)	8,840
Increase in corporation tax payable	13	–	–	–
Pension costs less contributions payable	658	1,350	658	1,350
Movement in fair value of investments	(777)	57	–	–
Carrying amount of tangible fixed asset disposals	10,258	11,442	–	–
Remeasurement in LGPS scheme	(224)	821	(224)	821
Adjustments for investing or financing activities:				
Proceeds from the sale of tangible fixed assets	(17,413)	(16,795)	–	–
Grants amortised in the year	(132)	(67)	–	–
Interest payable	29,784	29,579	–	–
Interest receivable	(363)	(261)	(55)	(65)
Net cash generated from operations	61,096	17,226	423	792

29. Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to temporary housing properties leased from landlords and lease van rental.

Operating lease payments are as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	4,304	4,577	611	553
Between one and five years	6,860	1,810	2,182	–
At 31 March	11,164	6,387	2,793	553

30. Capital commitments

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Capital expenditure contracted for but not provided for in the financial statements	115,259	145,324	–	–
Capital expenditure authorised by the Board but not contracted for	53,206	21,191	–	–
At 31 March	168,465	166,515	–	–

The above commitments will be financed primarily through borrowings of £85.3m (2016: £132.4m) which are available for draw-down under existing loan arrangements (note 31), with the balance of £83.2m (2016: £34.2m) partly funded through short term investments of £50.8m (2016: £0.1m), Social Housing Grant and income from property sales.

31. Borrowing facilities

The Group's undrawn committed borrowing facilities available at 31 March were as follows:

	Group	
	2017 £'000	2016 £'000
Expiring in more than two years	85,333	132,354

NOTES TO THE FINANCIAL STATEMENTS *continued...*

32. Contingent assets and liabilities

The Group and Company had no contingent assets or liabilities at 31 March 2017 (2016: nil).

33. Related party disclosure

During the year under review, two Group Board members, Iain Foster-Poole and Linda Ives were tenants of the Group during the year and paid rent and received services on exactly the same basis as other tenants. A total of £7k was collected in rent and service charges during the year. There were no outstanding arrears at year end.

34. Subsidiaries

The following are subsidiary undertakings by virtue of the ability of the Company to control the composition of their boards or by exercising dominant influence.

Undertaking	Country of registration	Principal activity	Class of shares	% of shares held
Paradigm Homes Charitable Housing Association Limited	England	Provision of social housing	Ordinary	100%
Paradigm Commercial Plc	England	Provision of housing for rent	Ordinary	100%
Paradigm Development Services Limited	England	Provision of development services	Ordinary	100%
Paradigm Maintenance Limited	England	Provision of maintenance services	Ordinary	100%
Welwyn Hatfield Foyer Charitable Trust	England	Foyer support and training	None	
Mary Bailey-Smith Almshouses	England	Provision of almshouses	None	

Principal place of business for the above entities is 1 Glory Park Avenue, Wooburn Green, Buckinghamshire HP10 0DF.

The results of all subsidiaries are consolidated into the results of the Group.

During the year the Company had the following intra-group transactions with its non-regulated subsidiaries:

MANAGEMENT SERVICES PROVIDED BY THE COMPANY TO:	Allocation basis	2017 £'000	2016 £'000
Paradigm Commercial Plc	Accommodation units	30	30
Paradigm Development Services Limited	Payroll costs	1,956	2,154
Paradigm Maintenance Limited	Headcount	10,746	10,372
		12,732	12,556

At 31 March the intra-group balances between these companies and Paradigm were:

	2017 £'000	2016 £'000
Paradigm Commercial Plc	–	3,224
Paradigm Development Services Limited	196	384
Paradigm Maintenance Limited	–	3,526

Management services provided by the Company include administration and management of financial ledgers. The year end balances of subsidiaries include debtor and creditor transactions. Interest is charged on the weighted average balance at 4.4% (2016: 4.6%).

35. Related undertakings

Paradigm Foundation was incorporated on 17 July 2013 and is a registered charity. All decision making is the responsibility of a board of five trustees, of whom two, Jane Harrison and Ewan Wallace, are employees of Paradigm.

During the year Paradigm Housing Group Ltd paid donations and received monies from Paradigm Foundation as follows:

MANAGEMENT SERVICES PROVIDED BY THE COMPANY TO:	2017 £'000	2016 £'000
Donations paid by Paradigm Housing Group	350	318
Monies received from Paradigm Foundation (principally grant funding to Small Steps at the Foyer)	–	(34)
Total during the year	350	284

36. Legal status

The Company is a Community Benefit Society which was incorporated as an Industrial & Provident Society (IPS). The legislation that governs the Society is the Co-operative and Community Benefit Societies and Credit Unions Act 2014. The regulator is the Financial Services Authority. The Company is also registered with the Homes and Communities Agency.



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