Paradigm

Annual Report and Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

New kitchen at William Moulder Court built on site of former garage block

Financial Statements 2020/21

FOR THE YEAR ENDED 31 MARCH 2021

GROUP INFORMATION

BOARD MEMBERS AND SENIOR STAFF

Chair

Julian Ashby

Other Board Members

Matthew Bailes

Liz Bailey

Mathew Bishop

Pat Brandum

John Cross

Eva Cullen

Philippa Lowe

Peter Quinn

Phil Shepley

John Simpson

Secretary

Ewan Wallace

Senior Executives

Matthew Bailes
(Chief Executive)

Patrick Dawson
(Chief Information Officer)

Nicola Ewen
(Executive Director of Finance)

Tracey Gray
(Executive Director of Operations) – resigned 19 March 2021

Martyn Jones
(Executive Director of Development)

Justin McCarthy
(Managing Director of Property Services)

Sarah Nickson
(Executive Director of Strategy & Business Services)

CORPORATE INFORMATION

Registered Office

1 Glory Park Avenue, Wooburn Green,
Bucks, HP10 0DF

Registrations

Registered society number: 28844R
Registered provider number: L4215

Regulated by

The Regulator of Social Housing

Independent Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick, West Sussex
RH6 0PA

Principal Solicitors

Devonshires LLP
30 Finsbury Circus
London
EC2M 7DT

Principal Bankers

Barclays Bank plc
London
E14 5HP

GROUP STRUCTURE

Within the group (Paradigm), two organisations are registered as housing providers with the Regulator of Social Housing (RSH):

> Paradigm Housing Group (PHG)

> Paradigm Homes Charitable Housing Association (PHCHA), a subsidiary of PHG.

Paradigm Development Services Limited (PDSL) is a wholly owned subsidiary of PHG, undertaking developments which are usually transferred to Group members on completion.

Paradigm Maintenance Limited (PML) is a wholly owned subsidiary of PHG, which is its principal maintenance provider.

PHCHA has two subsidiaries: Paradigm Commercial Limited, (PCL) and Mary Bailey-Smith Almshouses, a small charity with three properties in management.

CHAIR'S REPORT

It has been an extraordinary year.

That is the starting point for every statement of this kind for the year just past. The disruptions to the economy and to the lives and livelihoods of our tenants, homeowners, employees and partners have forced us to find ways of keeping our work going, supporting more people in the challenges that face them personally, and continuing to deliver our wider mission to meet the housing needs of people in the places where we work.

Despite the extraordinary challenge of working under COVID-19 restrictions, we have nevertheless retained our momentum, and our focus on the long-term sustainability of Paradigm's business.

During the year

- we completed 289 new homes
- we let over 500 homes
- overall tenant satisfaction increased to 84%
- we managed our business to deliver an operating surplus of £83.6m, and an operating margin of 54.5%.

At the most immediate level, our Executive Board and staff sustained all of those services which we were permitted to deliver. Essential maintenance and repairs continued, new homes continued to be completed, and we let homes to those who needed them.

I would like to thank the members of our Resident Services Panel who also continued to work with us throughout the restrictions. It is of great importance to us that this was a time to work harder to build our relationship with our customers, including by improving our communications, and to provide an assurance that we continued to deliver and improve our service to them regardless of the difficulties.

At the most immediate level, our Executive Board and staff sustained all of those services which we were permitted to deliver. Essential maintenance and repairs continued, new homes continued to be completed, and we let homes to those who needed them.

We also made the commitment to our customers at the outset of the pandemic that we would support them. We were clear that if they could not pay rent through no fault of their own, this would be a cause for us to find ways to support and work with them to ensure that they were not overwhelmed by arrears or fear of losing their home. We will continue this.

As well as resetting our rent collection approach, we have given effect to this commitment by reinvigorating our grant programme, overseen by our Foundation Committee. We have made substantial donations through that programme to partners to provide practical assistance, including emergency assistance to food banks and organisations helping those fleeing domestic abuse, and substantial investment in expert money, debt and employment advice services.

We have also sustained our commitment to our business plan projects and continued to improve and grow Paradigm's business to help people in housing need.

We completed, with another housing provider, and with the commitment and support of many staff and our advisors, the largest stock swap in the social housing sector. Both of our organisations now have more homes in the places where we intend to focus our strategic efforts to develop more new homes and improve our customer services.

Post the year end in May 2021 Paradigm issued its first own name bond for £350m, backed by our debut credit rating from Standard & Poors which confirmed our strong investment grade credentials, and based on a Sustainability Finance Framework which marks our long-term commitment to becoming a net zero carbon business. The commitment from investors reflected their recognition of the quality of our business, both in terms of our financial viability and our social purpose and will enable us to deliver our goals to build new homes and invest in our existing homes to make them safe and energy efficient.

We start 2020/21 with a new Corporate Plan, and with new strategies for Development, Asset Management and Customer, which commit us to demanding targets across the board.

We want to expand and improve the

quantity and quality of the new homes that we build, and to make a clear commitment to improving the energy efficiency of our existing homes. Both of these have embedded within them a commitment to providing customers with good quality, affordable and safe homes.

They are also at the heart of our commitment to become a net zero carbon business – this is an extraordinary challenge, which will take many years to complete. It will require substantial resources, and commitment to strategic investment and cooperation with our partners and our customers. We cannot afford to waste either time or resources to get to that goal, and it will demand rigour in data analysis, engagement with our customers, and collaboration with our partners to make sure that every pound we invest takes us to that goal.

We are also at the beginning of a major transformation programme. Our customer satisfaction improved in 2020, but we have set targets for the next 5 years to do better still. Through this transformation programme, we will redesign how we deliver services to our customers for the long term. It will give us the tools to provide excellent customer services, provide us with the basis on which to offer them better ways to access services including through better digital options, and to equip us with the capacity and capability to ensure our housing services, including repairs and estate services are reliable, efficient and enable us to keep our customers safe in their homes.

I would like to thank our staff and executive board for their ability to adapt to the challenges of the past year and their commitment to our customers and Paradigm.

Julian Ashby
Chair

New homes in Chesham built in partnership with Parrott Construction

STRATEGIC REPORT AND PERFORMANCE HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

The impact of COVID-19 forced us to change the way we work and had a significant impact on key performance measures such as repairs and development.

Our homes

> 233 net gain of homes from stock swap
> 15,650 number of properties with a value of £1,372m
> 289 homes completed in the year, of which 261 (151 rent and 110 shared ownership) are affordable homes
> Number of new shared ownership customers 133
> Shared owners who converted to full ownership 42

Our financial strength

> £153.4m turnover
> £83.6m operating surplus
> 54.5% operating margin
> £220.1 available liquidity

Maintenance of our homes

> £26.3m repairing and improving homes (expenditure on works to existing properties)
> 29,633 repairs
> 128 kitchens fitted
> 68 new bathrooms

Level of compliance

> Compliance – gas 99.9% domestic, 100% communal
> Compliance – electrical 98.2% domestic, 100% communal
> Compliance – fire 100% communal

Our new customers

> 12.9 days standard relet time
> 986 families moved into affordable homes in year

Our customer-led services

> 5,000+ households received supporting calls during COVID-19
> 1,425 number of our customers participated in surveys

Our customer satisfaction levels

> Customer satisfaction – general needs 84%
> Customer satisfaction – shared owners 56%

Credit rating – May 2021

> A+ from Standard & Poors

Regulator rating – December 2020

> Governance grade: G1
> Viability grade: V1

WHO ARE WE?

Paradigm Housing Group is one of the leading providers of affordable housing in the South East, managing 15,650 homes for more than 36,500 people, employing over 400 staff. We are a financially stable not-for-profit organisation, that reinvests all profits into building more new homes and supporting local communities. We have grown over 30 years to become one of the largest social housing providers in the counties of Buckinghamshire, Hertfordshire and Bedfordshire.

OUR PURPOSE

Our core purpose is to provide affordable homes for those who need them.

OUR PRINCIPAL ACTIVITIES ARE:

- 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.

OUR VISION

OUR VALUES

Safer Together

The safety of our customers, colleagues and ourselves is a priority in everything we do.

Driving Improvement

We seek to do things better and deliver value to our customers.

Being Clear

We will communicate in a clear and consistent manner so that our customers, colleagues and stakeholders understand the high standards that we work to.

Acting Thoughtfully

We make ourselves aware of our customers' and colleagues' circumstances, and consider this thoughtfully and respectfully, and with attention to the impact on the environment, when taking action.

Working As One

We work collaboratively with others and also take personal responsibility for delivering outcomes for our customers, colleagues and stakeholders.

OUR HOMES

During the year the number of homes we own and manage reached 15,650, including a net gain of 233 units following the successful completion of a stock swap in March 2021. The majority of our homes are let at rents lower than full market to people who cannot afford to rent on the open market. We also provide shared ownership properties, homes at market rent, accommodation for those requiring additional support and homes for outright sale on the private market.

In the year we developed 289 new homes, including 110 for shared ownership and 151 affordable rented homes for general needs.

We have 15,650 managed properties and 23 that we own but do not manage.

Housing Stock

	2021	2020	2019
Rented social housing	11,389	11,030	10,949
Supported housing	174	256	267
Low cost home ownership	2,575	2,367	2,164
Leaseholders	772	833	795
Market rent	315	286	260
Temporary housing	425	443	473
Total owned and managed	**15,650**	**15,215**	**14,908**

Owned and managed

	2021	2020	2019
Properties managed but not owned	375	393	425
Properties owned and managed	15,252	14,799	14,459
Properties owned and not managed	23	23	24
Total homes owned and/or managed	**15,650**	**15,215**	**14,908**

WHERE DO WE OPERATE?

We now operate in 31 local authority areas in the Home Counties and North and West London.

The stock swap of 1,151 homes from our portfolio with 1,384 within our core strategic areas has consolidated our presence in these areas and will deliver cost efficiencies and a better service to customers.

KEY

KEY DEVELOPMENT AREAS

PARADIGM OFFICES

LOCAL AUTHORITIES:

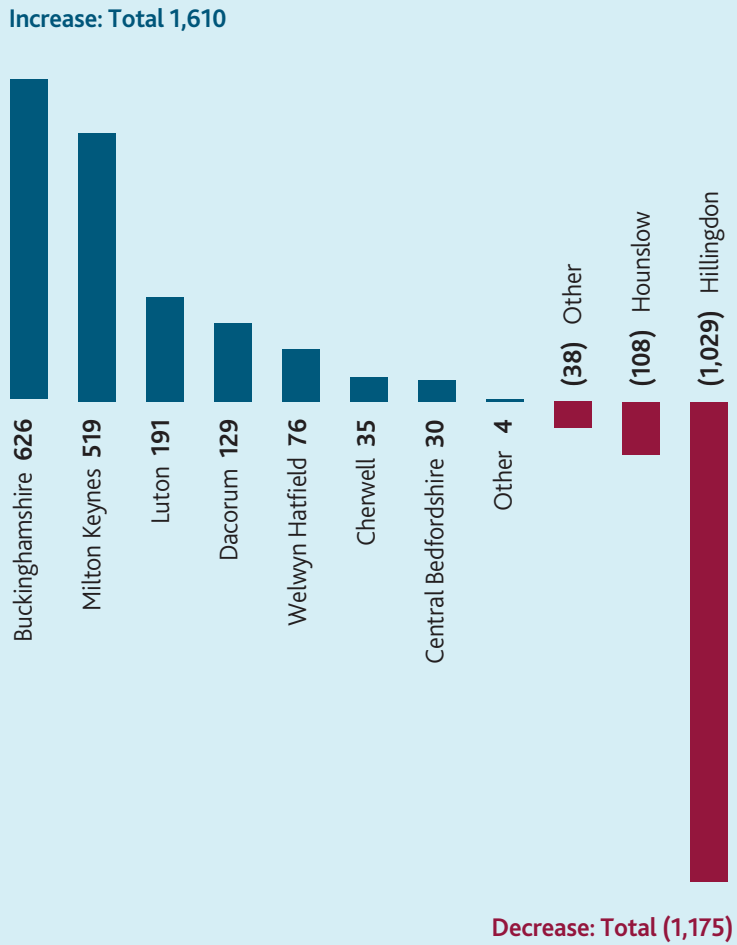
REGIONAL COUNCILS

LONDON BOROUGHS

NUMBER OF PROPERTIES

TOTAL 15,650 HOMES

KEY AREAS WHERE WE INCREASED AND DECREASED THE NUMBER OF HOMES WE OWN:



STRATEGY, OBJECTIVES AND PERFORMANCE

We start 2021/22 with a new Corporate Plan, a new Customer Strategy and new strategies for Development and Asset Management. These set our strategic priorities and commit to demanding targets for our business. A high-level summary of the Corporate Plan can be found on page 24.

The Financial Statements set out our performance in relation to the final year of our Corporate Plan 2018/21. Our services were delivered against the backdrop of COVID-19 and the restrictions this placed on our business and the lives of our customers and employees. The pandemic affected every area of our work, and we were forced to find innovative ways of continuing to deliver our vision and strategic objectives, all the while keeping the safety of our customers, staff and the long-term capacity of our business at the forefront of decision making.

To manage the risks to the business and in line with our business continuity planning, we set up and maintained strategic and operational response teams who continued to meet throughout the year to ensure we navigated the changes in Government advice and restrictions.

Our budgets and forecasts were regularly reviewed, and we undertook additional stress testing of our long-term financial plan, including reforecasting our base 2020/21 budget. We ran negative scenarios within the plan to identify the impact on covenants, security and liquidity over the following 18 months and all scenarios could be comfortably withstood within our business plan.

We enhanced our financial standards in relation to our liquidity rules by holding more immediately available cash funds to meet the demands of the business.

We have maintained our position as a financially robust organisation with substantial liquidity, covenant headroom, unencumbered assets and strong margins in what has been an unprecedented year of uncertainty.

CORPORATE PLAN 2018-2021: PRIMARY TARGETS

Top decile operating margin

Our operating surplus for the year was £83.6m. Two significant transactions affected our operating margin during 2020/21 – the surplus from the sale of fixed assets from the stock swap we completed in March 2021 and the disposal of a development scheme in London for a small profit. We delivered an operating margin of 54.5% against our budget of 40.9% but, without these transactions, our operating margin would have been 42%.

During the year, we incurred fire related costs of £1m (2020: £1.6m), scheme defect costs of £1.9m, net impairment costs of £0.6m and legal costs provision of £1.5m. These are not expected to be long term recurring costs.

Delays in repairs due to COVID-19, as well as reduced overheads and staff costs, resulted in savings of £1.2m.

An average of more than 500 new homes per year, primarily for affordable tenures, split approximately 50/50 between rent and sale, within a gearing limit of 55%

Despite the challenge of COVID-19, with the majority of construction sites being closed for a number of weeks, we built 289 new homes, 110 for shared ownership, 28 for outright sale and 151 for affordable rent. This was against a target of 411.

At the end of the year, we had 1,398 homes in our development pipeline against a target of 1,400.

Sales were also affected by the pandemic, but our sales team introduced video tours of properties and virtual viewings and achieved a £16.4m sales revenue against a budget of £16.7m. We reviewed our development pipeline to minimise our sales exposure, including exercising the option to change tenure of homes being developed to minimise the impact of the sudden decline in the property sales market.

Our stock swap with another Registered Provider, which saw us achieve a net gain of 233 homes, significantly increased the number of homes we have in Buckinghamshire, Hertfordshire and Oxfordshire, where we intend to focus our strategic efforts. This will also allow us to deliver operational efficiencies and improved customer services.

Higher customer satisfaction for tenants and for shared owners

We improved our overall customer satisfaction scores for tenants from 80% to 84% and our satisfaction for homeowners remained stable at 56%. Our regular surveys told us that customers appreciated the increased frequency of our proactive communication with them, and the way we contacted 5,000 of our more vulnerable customers to offer support.

Our transformation programme, which continued throughout the year, will help us to continue to improve customer satisfaction and experience, alongside our new Customer Strategy which focuses on delivering excellent services.

Ahead of the completion of this programme, we have set up two new teams to improve the service we provide – an Anti-Social Behaviour Team with experienced case managers and a Homeownership Team to provide a specialist, tailored service to our leaseholders.

At the beginning of the year, we moved to emergency repairs and gas compliance work only in customers' homes, with fewer repairs being carried out. However, our general satisfaction with repairs and maintenance increased from 75% to 79% and we achieved 99.3% performance on emergency repairs against a target of 99%.

We closed our offices and our Customer Contact Centre staff, as well as other office-based staff, were enabled to work remotely from home, which limited the impact on our services to customers.

A small number of staff were furloughed. Wherever possible, staff were redeployed to work in empty homes. We updated more than 500 properties when they became empty, with average days to let standard void properties outside our target of 12 days. Major voids were turned round in an average of 40 days against a target of 35 days, due to social distancing measures for operatives working in properties. The majority of voids were delivered in house with only 10% issued to outside contractors compared to 28% last year.

Our lettings team adopted new processes, including electronically signing up customers to help people get into their homes quickly, letting more than 70 homes in the first three weeks of December alone.

Questions	Tenants 2019/20		Tenants 2020/21	Homeowners 2019/20		Homeowners 2020/21
Overall satisfaction	80%	↑	84%	56%	→	56%
Overall recommendation	75%	↑	78%	51%	↑	60%
General satisfaction with repairs and maintenance	75%	↑	79%	43%	↓	41%
Cleanliness of internal communal areas	71%	↑	75%	69%	↑	77%
Paradigm listens to your views and acts	72%	↓	68%	48%	↓	43%
Paradigm keeps you informed about things that may affect you	82%	↑	86%	72%	↑	79%
Satisfaction with most recent contact	76%	↑	81%	58%	↑	62%

Service improvements generated through customer services activity measured by reduced customer complaints

We reviewed our Complaints Policy, bringing it in line with the Housing Ombudsman's Complaint Handling Code which was launched in January 2021. We made changes to the timescales for responding to complaints and provided more information about reasonable adjustments for customers who need them and the option for them to use an advocate. Our website was updated with a clearer complaints section and have introduced a new customer advice leaflet. Training for staff has been carried out, emphasising the need for our people to take responsibility for communicating with customers, providing clear information about next steps and being more proactive with updates on progress.

The start of the year saw a reduction in complaints but by year end we had received 367 (2020: 366) with 65% being upheld (2020: 57%). We know that improving communication with customers will increase satisfaction with our complaint handling.

SUPPORTING TARGETS

Deliver procurement savings of at least 5% over the plan period on a like for like basis

Aside from the £1.2m savings made as a direct result of COVID-19, we continue to make efficiency gains through better contract management across all areas of the business. We retendered a number of significant contracts, including insurance, audit and a number of facilities management and estates contracts, which enabled us to realise annualised savings of £0.4m. In addition, we delivered approximately £0.2m of cost avoidance and refunds through the validation and management of our Utilities, Council Tax and Business Rate costs. Overall, we delivered procurement savings of 2.5%.

Reducing the cost per property (in real terms) of delivering our agreed responsive repairs standards and service over the plan period

Our responsive repairs cost per property was £745 (2020: £845) and this reduction was largely due to the deferral of non-urgent repairs during the lockdown periods. We incurred £1.9m scheme

defect costs in the year which has driven the overall repair cost per unit to £3,436 (2020: £3,975). We plan to continue reducing our routine repairs costs by improving efficiency rather than compromising on quality.

Top quartile employee engagement
We took part in the Best Companies B-Heard survey for the second year, moving from a One to Watch to One Star rating which reflects "very good" levels of employee engagement. We have used the survey feedback to plan further improvements.

Mobile or agile working available to all staff
During 2020/21, and as a result of the pandemic, we enabled all office-based staff to work from home as we temporarily closed our offices. We completed the roll-out of laptops and Microsoft One Drive to support remote working and will continue to look at new technology to support staff as we move towards a new hybrid way of working. We are vigilant to the risk of cyber attacks and invested more money in cyber-security tools that will help improve our security position as well as helping us detect and monitor threats. We also are dedicating more engineer time to this.

Improved management of digital communication channels – improved customer and stakeholder satisfaction with digital communications
Our transformation programme, which includes the recent procurement of new housing management and finance systems, will see us increase our digital channels, leading to improved customer satisfaction, business efficiency and risk monitoring. This programme is expected to take a further two years to complete.

Stakeholder engagement – higher proportion of well managed relationships linked to better business outcomes for development and operations
We built on our existing relationships with key partners, with more systematic engagement with Buckinghamshire Council, as well as voluntary grant partners in Buckinghamshire and Hertfordshire. The approval of our Grants Framework by the Foundation Committee was a significant milestone, will support our key objective of tenancy sustainment, and will strengthen partnerships with external service providers for the benefit of our customers.

We continued to improve our communication with stakeholders with a targeted email newsletter during the pandemic and updated our business intelligence about local authorities, enabling us to support our operational teams on their services and key updates.

To deliver agreed operating margin targets at portfolio level
Operating margin targets have been set at portfolio level and closely monitored. For our shared ownership sales we achieved a margin of 25% for a contribution of £3.4m for 133 homes (2020: 25% for a contribution of £4.8m). Our outright sales included a development site of 120 units and provided a margin of 1.8% for a contribution of £0.7m (2020: £0.8m, 13%). Sales of our existing homes provided a 51% margin and a contribution of £4.7m (2020: 47%, £3.6m).

The activities of the Private Sector Leasing team delivered a contribution of £0.52m against a target of £0.54m, and a margin of 7.8% against a target of 8.35%.

Our temporary housing hostel at Lea Bridge in London delivered a contribution of £1.1m ahead of a £0.6m budget and our supported housing for young people at The Foyer in Welwyn Hatfield delivered £0.32m against a target of £0.1m.

Maintain tenant rent loss at less than 0.5% of rent debit
Our underlying tenant rent loss is 0.5% (2020: 0.8%). While COVID-19 has impacted negatively on rent arrears, we provided support throughout the year to customers helping them to claim Universal Credit and other benefits, particularly for assistance with housing costs. We complied with Government legislation around debt recovery, amending our Rent Recovery Policy, initially to reflect a three-month cessation of possession claims, warrant applications and evictions which was subsequently extended.

From April 2020 to July 2020 our four weekly rolling arrears indicator increased from 2.67% to 3.4%, subsequently reducing to 3.15% by the year end against a target of 3%. In the same period, we also saw a peak in direct debit cancellations which returned to normal levels by July 2020. Universal Credit applications have steadily increased throughout the year reflecting changes in customer circumstances, with 800 new UC applications in the first quarter of 2020/21. We will continue to monitor the impact the pandemic has on our operational arrears collection targets, offering our customers support to maintain their tenancies in the longer term.

VALUE FOR MONEY (VFM)

We are committed to providing and improving VFM as an integral part of our corporate strategy and objective setting.

Our VFM scorecard has been agreed by the Board and includes the key seven measures as detailed within the Regulator's VFM standard. We also report to Board on key performance metrics and supporting operational VFM metrics. Our budgets, forecast and targets are all set with VFM metrics which enable the business to take action, where possible to improve performance.

VFM is about understanding what costs are being incurred, what drives those costs and what they deliver. VFM measures ensure we plan effectively and manage our business and operations in a cost-effective manner, making the best use of the resources available to us to provide quality homes and services which meet housing needs. We monitor the sector scorecard metrics as well as operational performance throughout the year. We have benchmarked against our peers in the South East and our performance for the year is shown in the table on Page 15.

Our key VFM metrics are provided below:

Delivery of new homes

We have increased the number of homes we manage from 15,215 to 15,650 in the year, including a net gain of 233 following the successful stock swap with another Registered Provider completed in early March 2021. Our portfolio is now more concentrated around Buckinghamshire, Hertfordshire and areas within Oxfordshire which will support greater efficiency in the management and maintenance of our homes.

The 2018/21 Corporate Plan had a target delivery of 600 new homes, which we adjusted to 500 due to COVID-19. It does take time to build up a robust pipeline and deliver more homes and the development team focus has been to increase the number of homes under contract for delivery.

Our Corporate Plan from 2021 onwards has an ambitious target to maintain a pipeline of 1,600 units, up from 1,400 in 2021/22, and to develop 2,250 homes during the lifetime of the five-year plan in our core operating areas. While Paradigm is in a strong financial position and ideally placed to pursue new development/stock opportunities, we are not complacent about potential risks to the business. We continue to undertake robust risk assessments, use prudent assumptions and run sensitivity analysis on all development opportunities.

Property sales

We achieved first tranche shared ownership sales of 133 against a target of 132, delivering an operating margin of £3.4m versus target of £3.2m. Our outright sale of 133 homes was above our target of 24 homes, achieving an operating margin of £0.7m against target £0.6m. These figures include the sale of a development scheme of 120 homes in Hillingdon which was sold at a small margin reducing our overall sales margin. Individual property sales were generally at a higher margin than anticipated.

Excluding the scheme sale, we met our sales targets for the year reporting a positive variance on gross margin of £0.4m. The market uncertainty caused by a combination of Brexit and COVID-19 means we continue to review all options available in order to mitigate risk, including change of tenure and reduced sales prices. In the year we changed tenure of 28 homes across the portfolio, maintaining the option to sell outright or return to market rent at a later date.

Operating margin

Our operating margin is 54.5% against a target of 40.9%. Following our stock swap with another Registered Provider we recognised a surplus of £35.3m profit on sale of fixed assets which equated to 9.4% of the variance against the target. In addition, we incurred an impairment charge of £0.6m, legal provision of £1.5m, scheme defects costs of £1.9m and health and safety costs relating to waking watch and other fire related costs of £1.0m. These reduced our operating surplus by 6.0% to £83.6m (2020: £43.0m).

These one-off costs have impacted the majority of our VFM operational targets in the year and we continue to monitor waking watch costs. We monitor our VFM excluding impairment cost to ensure we are focused on our core operational targets, and the underlying strength of the business.

COVID-19 impacted upon the financial metrics in a number of ways. Delayed development and handover of homes resulted in £0.1m loss of rental income but £1.2m of savings were made on staff costs, repairs, development feasibility costs and overheads. We also delivered an additional £0.4m profit from our property sales.

Social housing cost per unit

Social housing cost per unit, including impairment is below our target of £3,949, at £3,120 (2020: £3,574). Excluding impairment, the cost per unit falls to £3,081 still below our target and the median for our peers, mainly driven by COVID-19 savings in repairs and staff costs.

Excluding waking watch costs of £0.8m, routine repairs were in line with the budget of £10.8m (2020: £11.9m).

Management cost per unit

Our management cost per unit has increased to £651 compared to £525 in 2020. However, this is below the budget of £670, mainly due to savings in staffing costs and project delays as a result of COVID-19. We will continue to monitor and challenge these costs. The increase from 2020 reflects additional project management costs being incurred to deliver our transformation programme.

Interest cover

Our interest cover of 151.8% (2020: 156.6%) against a target 170% reflects reduced repairs costs, COVID-19 savings and an increased sales margin.

Gearing ratio

Our gearing ratio of 49.3% (2020: 55.4%) is lower than our target 55%. Prior to the stock swap the gearing ratio was 50.8%. Our overall net debt has decreased by £45.1m, largely driven by the balancing receipt for the stock swap in March 2021 and the cash received for the sale of a development site in Hillingdon. We continue to maximise the use of our assets to raise funds to deliver more homes.

The continued investment in our homes through the Asset Management Strategy to meet our energy efficiency targets and significant investment in IT hardware and systems will impact some of our VFM metrics in the future. Improving our homes and delivering efficiencies through systems investment will not only improve the customer experience but place the business in good stead to benefit from growth opportunities.

Complaints

With our increased focus on customer complaints, we revised and improved our complaints policy and how we monitor and respond to complaints. We measure the number of complaints per 1,000 properties, days taken to resolve complaints and % of complaints that are upheld. We received 23.8 complaints per 1,000 properties against a target of 28 or less, with 65% upheld against a target of 60%. Our average number of days to resolve was 15.9 days against a target of 15.

Our continued financial strength

The results for 2020/21 remain strong. We have delivered a surplus for the year of £54.1m (2020: £15.7m). The surplus is stated after £35.3m profit from the stock swap, costs of £21.5m (2020: £20.6m) to maintain our existing properties, £4.8m (2020: £6.3m) on investment works, impairment and scheme defect costs of £2.5m and a legal provision of £1.5m.We have undertaken a review of our assets and recognised net impairment of £0.6m. This is comprised of a write back of last year's impairment cost in respect of one

Summary VFM table

Performance measure	Target	2021	Restated 2020	Peer Group Median 2020
Operating margin (overall)	>40% Turnover	54.5%	35.4%	36.8%
Operating margin (social housing lettings)	>46% Turnover	41.6%	44.1%	44.1%
Headline social housing cost per unit	£3,949	£3,120	£3,574	£3,543
Interest cover (EBITDA-MRI)	170%	151.8%	156.6%	156.6%
Gearing	<55%	49.3%	55.4%	55.2%
New supply delivered – social housing	2.8%	1.8%	1.8%	2.6%
New supply delivered – non-social housing	0.7%	0.2%	1.1%	0.1%
Return on Capital Employed	4.2%	5.9%	3.3%	3.3%
Reinvestment	4.0%	3.8%	5.7%	4.3%

GROUP HIGHLIGHTS, FIVE YEAR SUMMARY

scheme of £4.1m and impairment on three current schemes of £4.7m.

During the year, revenues from first tranche shared ownership and outright sales totalled £54.4m, delivering a margin of 8% (2020: 22%). Excluding the one-off sale of a development scheme, sales revenue totalled £16.4m delivering a margin of 23.1%. The pipeline of new homes has been delayed due to COVID-19 which has in turn had an impact on the number of homes available for sale. Additionally, completion of sales have been delayed due to a more cautious approach being taken by mortgage lenders and a backlog of applications.

Disposal of property assets generated £4.7m surplus, with a margin of 50.8% (2020: 46.9%).

The surplus for the year meant that we increased our total net assets by £47.3m with housing properties increasing by £69.2m. We spent £50m on housing under construction and completed 289 new homes with a value of £61.1m.

GROUP STATEMENT OF COMPREHENSIVE INCOME	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Turnover	153.4	121.5	130.1	123.9	136.7
Turnover before housing sales	99.0	96.0	95.8	91.4	90.7
Income from lettings	92.6	91.7	91.5	87.8	86.7
Property depreciation	9.6	9.3	9.3	11.1	10.9
Operating surplus before housing sales	39.5	34.6	38.1	43.1	44.5
Operating surplus from social housing lettings	38.5	40.4	43.0	42.5	43.5
Operating surplus	83.6	43.0	47.9	54.0	55.7
Surplus for the financial year	54.1	15.7	25.1	25.6	33.8
GROUP STATEMENT OF FINANCIAL POSITION					
Housing properties	1,372.0	1,303.0	1,272.0	1,239.9	1,201.1
Net current assets	19.2	60.9	39.2	52.5	100.3
Indebtedness	676.3	721.5	685.2	692.4	682.6
Total reserves	661.4	614.2	591.9	572.6	546.4

STATISTICS	2021 %	2020 %	2019 %	2018 %	2017 %
Operating margin	54.5	35.4	36.8	43.6	40.8
Operating margin excluding sales	39.8	36.0	39.8	47.2	49.0
Surplus as % of turnover	35.3	12.9	19.3	20.7	24.7
Operating margin social housing lettings	42.3	44.1	47.0	48.5	50.2
Rent losses	0.5	0.8	1.1	1.1	1.1
Gearing	49.3	55.4	53.9	56.5	56.9
EBITDA – MRI interest cover	151.8	156.6	162.8	172.5	194.8
EBITDA – MRI as a % of turnover	32.7	42.3	42.0	50.4	44.3
Surplus from social housing lettings over interest paid	116.8	123.2	129.2	116.0	134.5

ACCOMMODATION OWNED AND MANAGED	2021 units	2020 units	2019 units	2018 units	2017 units
Total social and supported rented	11,970	11,627	11,689	11,590	11,441
Total low cost home ownership	2,575	2,367	2,164	2,023	1,893
Total leasehold and market rent	1,105	1,221	1,055	1,005	897
Total housing	**15,650**	**15,215**	**14,908**	**14,618**	**14,231**

CAPITAL STRUCTURE AND TREASURY POLICY

During the year and at year end, Paradigm's capital structure was based on long-term bank borrowings, spread across five main lenders, together with capital market bond issues. At 31 March 2021 the breakdown of borrowings was as set out below:

Funding at 31 March 2021

	Arranged £m	Drawn £m	Undrawn £m
Bank loans	630.2	447.9	182.3
Bond issues	166.5	166.5	–
Private placement	100.0	100.0	–
Total funding	896.7	714.4	182.3

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. At 31 March 2021, fixed rates of interest ranged from 1.939% to 7%. Floating rates are no more than 0.32% above the London Interbank Offered Rate (LIBOR). The Group has no free-standing derivatives or swaps.

There was no additional borrowing in the year. In May 2021, Paradigm launched its first 30-year public bond at a coupon of 2.25% for £250m with an additional £100m retained for future issue.

The Board approves the treasury policy and key strategic targets are laid out below.

The Group will maintain its proportions of fixed rate and floating rate loans within the limits set out in the table below:

Type of exposure	Actual	Minimum	Maximum
Fixed rate	95%	65%	95%
Floating rate	5%	5%	35%

The Group will ensure it has sufficient liquidity to cover 18 months forecast net cash requirements plus a reserve of 50% to mitigate risks relating to sales demand and possible downwards pressure on house prices. At year-end we reviewed our budgets and long-term plan and determined that we have sufficient liquidity to cover over 26 months.

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

At the year-end the Group's drawn borrowings of £714.4m (2020: £734.9m) were repayable as follows:

MATURITY PROFILE	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Within one year	5.8	5.5	5.2	3.3	6.1
Between one and two years	9.9	5.8	5.5	11.7	4.5
Between two and five years	33.0	35.3	39.0	39.2	41.6
After five years	665.7	688.3	648.1	649.2	698.8
Total borrowings	**714.4**	**734.9**	**697.8**	**703.4**	**751.0**

Cash inflows and outflows are shown in the Group cash flow statement on page 35. The Group's net increase in cash during the period was £24.7m (2020: increase £2m) and predominantly due to the balancing cash payment arising from the stock swap and the sale of a development scheme.

GOVERNANCE

The Amalgamated Board (which comprises the entity boards of PHG, PHCHA and PCL) is composed of ten non-executive members and one executive member, with meetings taking place at least six times per year. Board members are drawn from a range of backgrounds. Our appointments policy for non-executive Board and committee members is skills based and aims to ensure appropriate representation reflecting business needs and the diverse communities we serve.

The Board delegates some of its responsibilities to committees. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are considered and approved where appropriate. The committees, each chaired by a member of the Board, meet at least quarterly.

Members undergo a comprehensive induction programme with on-going training provided through attendance at conferences as well as formal training courses. Each member is expected to attend at least 80% of meetings each year and all Board and committee members are subject to regular performance appraisals. The Board members who served throughout 2020/21 and up to the date of this report are listed on page 2.

Board member indemnity insurance was provided through the NHF and Howdens insurance schemes.

During the year the Development Committee changed to the Investment Committee, and now covers delivery of the Asset Management and Development Strategies and larger development projects.

In connection with the refinancing completed by the Paradigm Group during 2021, Philippa Lowe (from January 2021) and Matthew Bailes (from May 2021) were appointed as temporary members of the Treasury Committee until completion of the refinancing project.

Code of Governance

The Group has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition) and has committed to uphold it and keep to the high standards expected. Compliance with it is reviewed annually by the Audit and Risk Committee and Amalgamated Board. The Group complies with all areas of the code and is committed to adopting the National Housing Federation's Code of Governance 2020 by September 2021.

Customer involvement

The Resident Services Panel produced and shared their first Annual Report to Board this year and are considering improvements to our repair bookings processes. The Panel have undertaken a customer led self-assessment against the Ombudsman complaint handling code and our complaint policy and processes.

The Readership Panel has provided their views on a number of documents and customer communications such as the COVID-19 Welfare survey and risk assessment guidance for customers. They have also reviewed a new welcome pack for Lettings, the Annual Report to Residents, end of tenancy communication, and the new complaints leaflet and website wording.

Due to COVID-19 restrictions our Resident Quality Inspectors were unable to conduct estate and void property inspections, however some of them were involved in the complaint handling code customer led self-assessment.

We have 22 regularly involved customers working with us through these three engagement structures. In addition, we surveyed 1,425 customers for their views on issues including satisfaction with our services.

We engaged with a further 1,378 customers affected by the housing stock swap with another housing provide via a survey surveyed and the results shared with Board to support their final decision.

Employees

The strength of the Group, the ability to meet our objectives and the delivery of commitments to our customers and stakeholders, depends on our ability to recruit, retain and develop excellent staff whose contributions will advance our corporate objectives. We continue to embed our values into all aspects of our operations and have a suite of learning and development programmes that include a focus on leadership and management skills and behaviours.

Equality and diversity

We are committed to the Equality, Diversity and Inclusion (ED&I) principles as set out in the National Housing Federation's Code of Governance and to promoting equality, diversity and inclusion

AMALGAMATED BOARD

AUDIT AND RISK COMMITTEE

Responsible for overseeing risk and assurance; financial management; internal and external audit; and committee effectiveness.

Members:

Philippa Lowe
Chair

Liz Bailey
Mathew Bishop
John Simpson
Non-executive members

Richard Archer
Independent member

DEVELOPMENT COMMITTEE*

Responsible for reviewing progress with planned developments and to consider and advise on new scheme appraisals.

Members:

John Cross
Chair

Phil Shepley
Peter Quinn
Julian Ashby

GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

Responsible for executive and non-executive remuneration; Board recruitment and effectiveness; governance and conduct; and committee effectiveness.

Members:

Pat Brandum
Chair

Julian Ashby
Eva Cullen

TREASURY COMMITTEE

Responsible for overseeing the raising of new finance and reviewing Treasury Management Policy and detail of treasury documents such as loan agreements or side letters to existing arrangements.

****Members:**

John Simpson
Chair

Julian Ashby
John Cross

FOUNDATION COMMITTEE

Responsible for making grants to further defined charitable purposes within the geographical areas in which Paradigm operates.

Members:

Pat Brandum
Chair

John Simpson

Patricia Buckland
Tim Yates
Non-executive members

Ewan Wallace
Staff member

PROJECT ASSESSMENT GROUP

Delegated authority to approve smaller development projects and implements the development portfolio and asset management programme.

EXECUTIVE TEAM

*The Development Committee ceased to exist on 31st March 2021 and was replaced by the Investment Committee on 1st April 2021.

**Philippa Lowe was added as a temporary member of this committee on 21 January for the duration of the refinancing project. Matthew Bailes was added as a temporary member of this committee on 19 May 2021 until the completion of the NAB revolving credit facility.

in all our activities, processes and culture.

We will:

- ensure that the Group provides an inclusive and welcoming environment for customers, colleagues and stakeholders that promotes equality and respect
- provide absolute clarity that discrimination will not be tolerated in the workplace and ensure that this principle is reflected in all customer and employee-related policies and practices
- take steps to increase inclusion and engagement for all the people who work for the Group
- work to understand and analyse our performance in ED&I, identify the required goals to increase diversity and inclusion and take steps to achieve them, using this intelligence to provide better service to our diverse customer community.

We recognise the benefits and opportunities of nurturing a diverse community of staff who value each other, recognising the contribution that each person can make towards achieving our vision. This includes promoting equality and diversity for all, irrespective of the protected characteristics identified in law, as well as celebrating the creativity and contribution that each person can and does make when they feel a strong sense of belonging.

Modern Slavery Statement

Paradigm is committed to understanding risks related to modern slavery and ensuring that we meet our legal and statutory responsibilities. We regularly review our operations to ensure as far as we can that no part of the organisation, or its supply chain, contains or permits slavery or human trafficking activities. All staff undertake mandatory training in this regard. Paradigm's full statement on modern slavery, as required by the Modern Slavery Act 2015, is published on the Paradigm website.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has comprehensive health and safety policies and provides staff training and education on health and safety matters.

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 (ARC) and the Board and are summarised below:

Risk	Comments	Mitigation
Failure of health and safety management systems	The health and safety of our customers, staff and contractors remains a key concern, especially in light of more general failings across the property sector highlighted in the Hackitt Review of Building Regulations.	The Group remains committed to complying with recommendations made by fire authorities, other health and safety authorities and Government. The compliance testing programme is monitored closely by the Audit and Risk Committee and the Board. We have undertaken measures in the form of waking watch and investment in fire alarms as required for two of our schemes.
Construction industry capacity and operating costs	The current economic climate has had a significant negative impact on construction industry capacity and operating costs, affecting the sector's development activities. A combination of Brexit and COVID-19 increases our development risks in terms of our ability to meet our objectives and the financial performance of our schemes under construction.	The Group continues to monitor our developments and potential schemes on a regular basis. Programme management, including quality control, is overseen by the Investment Committee, and reported to Board.
Downturn in the housing market	Our ambition to deliver 500 new homes a year by 2021 depends on successful land acquisition, timely development of quality products and demand for new homes. A significant proportion of the Group's development programme relates to shared ownership with some outright sale. Low grant levels mean we rely on sales income to subsidise building homes for rent.	Appraisal assumptions allow for sales delay and falls in value, with flexibility to switch tenure types reducing exposure. Our overall long-term plan is to ensure we can withstand changes in the market. Programme management, including quality control and market changes are overseen by the Development Committee, and reported to Board.
Breach of Funders' Covenants	Default event could lead to cross-default and potential requirement from lenders to repay debt immediately or reprice all debt; likely regulatory downgrade; possible business failure	Our long term plan is regularly stress tested, the results of which form our overall control framework and cap our development capacity. The Treasury Committee and Board regularly receive updates and covenant calculations are performed on a quarterly basis. All covenants are easily met.
Financing	In order to achieve our development aspirations, the Group's development plans must be underpinned by secured funding. Key risk areas relate to interest rates, covenant compliance and availability of security.	Paradigm's treasury management strategy and policy, approved by the Board, set out clear parameters to mitigate interest rate risk, and to manage and report covenant compliance. The Board receives regular updates on available security and this is applied as a stress-test to the business plan.
Threat from successful cyber attack	Increasing use and reliance upon digital technology increases our exposure to the risk of a successful cyber attack. While Paradigm does not currently believe it is a major target for these kinds of attacks we need to remain realistic about the risks.	We constantly monitor the threat environment and apply updates to our systems to mitigate against new attacks to ensure that Paradigm's procedures and systems remain as safe as possible.
Change in Government policy	Policy changes can materially impact on our strategic approach to delivery of our corporate plan.	We regularly undertake horizon scanning to determine potential regulatory changes and priorities. Where changes are anticipated we undertake impact analysis and stress test them in our financial plans.

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 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 quarterly
- the Board has approved anti-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, while 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. There were two tenancy related frauds recorded in the year. The Board receives and reviews the minutes of Audit and Risk Committee meetings.

The Audit and Risk Committee (ARC) play a key role in monitoring the internal control environment. PWC continued as internal auditors during the year. The ARC has received and considered the annual report of the internal auditor.

The ARC introduced the three lines of defence model to provide them with additional assurance in relation to the internal control environment.

Charitable donations

Charitable donations during the year were £nil (2020: £nil). Paradigm's Foundation Committee has distributed funds ringfenced in previous years as follows:

	£
Foodbank Donation	20,730
Women's Aid Donation	4,250
Citizens Advice Bureau	12,883
Financial Inclusion	5,000
	42,863

Going concern

We undertake extensive stress testing of the Company's short term and long-term plans together with the plans of the Group as a whole. The Group holding company, Paradigm Housing Group Limited, initially incurs all costs associated with the Company's operations which are recharged to the Company.

We have considered the impact that COVID-19 has had on the Group and individual companies' cash flows, ability to obtain materials and the potential for significant increases in material costs, sales, arrears, together with the uncertainty regarding phasing of work.

After reviewing the forecasts and projections, the Board has reasonable expectation that the 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.

SUSTAINABILITY AND ENERGY REPORTING

Paradigm is committed to improving our sustainability performance and this is reflected in our Corporate Plan 2021/26. We have adopted the principles and guidance of the Government's Streamlined Energy and Carbon Reporting (SECR) and have chosen to report in line with the recommendations.

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per property, the recommended ratio for the sector.

Overall, our energy consumption has increased on last year largely due to increase usage in our homeless hostel which was occupied for most of the pandemic and customers continuing to work from these locations since the easing of restrictions.

During the year, due to COVID-19 our staff were largely able to work from home. Travel to our customers' homes was limited for a proportion of the year, which significantly decreased business mileage.

Our continued investment in IT infrastructure decreased the need for printing, with documents being shared and signed digitally.

Looking forward, we are continuing to transform our IT systems and supporting processes which will provide significantly higher levels of self-service functionality to our customers rather than the current reliance on paper communication.

Our Asset Management Strategy will ensure that the investment in our property portfolio enables us to meet the Government's zero carbon targets, reducing carbon emissions of our homes to net zero by 2050. In the coming year, we will focus on the lowest rated homes, which are rated below EPC D, and supporting those customers most at risk of fuel poverty from high energy usage. We will identify works programmes that deliver a minimum dwelling standard of EPC C and, where feasible, deliver these works to the majority of homes by 2030, subject to understanding whether alternative solutions for individual homes to reach higher levels over a longer period will be a more effective or economic approach.

We will explore how best to work with all our customers and provide them with information and support on how they can run their home in the most energy efficient way, and the financial and environmental benefits of doing so. We will consult customers on sustainability measures that we are considering for their homes, to better understand their requirements and help shape the service we deliver. The impact of sustainability initiatives will be captured by measuring and reporting customer benefits and satisfaction.

Group gas emissions and energy use data	2021	2020
Energy consumption used to calculate emissions (kWh)	4,829,574	4,075,128
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	325.47	69.42
Fleet transport	619.57	698.50
Total Scope 1	**945.04**	**767.92**
Scope 2 emissions in metric tonnes CO2e – purchased electricity	0.88	131.34
Scope 3 emissions in metric tonnes CO2e – Business travel in employee & rental vehicles	21.07	78.81
Total gross emissions in metric tonnes CO2e	**966.99**	**978.07**
Intensity ratio tonnes CO2e per property	**0.06**	**0.06**

CORPORATE PLAN 2021/26

When preparing our new Corporate Plan, we reflected on the opportunities and risks in our operating environment, including:

- the greater focus and effort applied to ensuring the safety of our customers in their homes, making sure that testing and safety measures for fire and other hazards are effective
- the high cost of land in the areas where we work and the consequent impact on the affordability of homes to rent and buy, makes the supply of new affordable homes in our operating area challenging
- incomes of many of our customers have not kept pace with inflation, and reforms to welfare systems, freezing rates at which benefits are paid and COVID-19 have compounded affordability challenges
- the economy and financial markets
- Buckinghamshire Council is a new single tier authority covering the largest proportion of the homes we own. We need to ensure that we take account of how housing and other functions are reorganised, including the ways in which the Council engages with customers and businesses across its area
- the greater focus on the environmental impact of our homes and steps we can take to reduce our carbon footprint
- policy and regulatory changes such as the Social Housing White Paper launched in November 2020 and the changes to the shared ownership model.

Our 2021/26 Corporate Plan contains the following strategic priorities

We are committed to:

- providing homes to people who need them and can't afford them on the open market – we will continue to build new affordable homes within the limits of our financial capacity, and consolidating our approach to be a large, developing provider with a local focus in our core operating area
- a zero-failure approach to health and safety – we will do our job as a landlord to make sure our properties are safe and kept in good repair for our customers, and to make sure that our employees have a safe workplace
- engaging purposefully with our customers and listening and acting on their views to improve how we serve them
- transforming the service we provide to our customers so that it is easier to contact us, more convenient for them, and delivered reliably and to an excellent standard
- ensuring that we are responsive and courteous to customers, and take into account their individual circumstances when we provide services to them
- providing support to customers who need more help to sustain their tenancy
- a major investment programme in our existing homes which will ensure that we take the right actions to keep them in good condition and safe for residents, reduce or eliminate carbon emissions and other environmental harms, and make the best use of our resources
- continuing the journey to make Paradigm a net zero carbon business by 2050, in the new homes that we build, the adaptations that we make to our existing homes, and the impacts of how we manage our business day to day
- adding at least 2,250 new homes into our portfolio within our core operating areas through development
- seeking opportunities to increase the homes we own and manage in our core operating area through stock acquisition and rationalisation with other landlords
- a strategy to attract, retain and develop employees with the knowledge, skills, values and behaviours we need as a business to deliver the vision for Paradigm's future.

We have set ourselves the following targets and objectives:

Serving our customers

- General needs satisfaction level 88%
- Homeowner satisfaction level 65%
- Repairs satisfaction level 85%.

Building new homes

- 2,250 new homes to be delivered
- To maintain an average 1,600 development pipeline
- 50/50 tenure split between affordable and low-cost home ownership
- Defects <2 per home.

Safe and sustainable homes

- 100% compliance with health and safety regimes
- 100% compliance with Decent Homes regulatory requirements
- Detailed plan to achieve net zero carbon by 2050
- Pilot projects to shape our approach to deploying low and zero carbon sources of heating
- Compliance with new building safety regulatory system for high rise buildings
- Create an Environmental Strategy to address climate change resilience, energy efficiency and excellent management of waste and hazardous products.

Best use of resources

	2022	2023	2024	2025	2026
Gearing	55%	56%	57%	57%	58%
Operating margin	43%	39%	37%	36%	36%
Management cost per unit	£583	£615	£539	£545	£552

- Maintaining our A+ Standard and Poor's rating
- Employee engagement – 2* standard
- 4 week average rent arrears at no more than 3%
- Void relet target of 12 days
- Reducing our environmental impact based on Streamlined Energy and Carbon Reporting (SECR) framework.

Our plan is underpinned by supporting strategies for the Customer, Asset Management and Development

CUSTOMER STRATEGY

Our Customer Strategy 2021/2025 provides the framework for delivering excellent services to current and future tenants and homeowners - one of our Corporate Plan objectives.

The core aims are:

> to improve customer satisfaction

> support customers to sustain their tenancies

> improve ease and convenience of delivering our services.

We are committed to:

> developing and implementing new Customer Care standards

> improving our communications with customers through training frontline staff

> optimising existing systems and data tools to improve customer contact management.

Longer term as part of our transformation programme, we will:

> deploy a new Customer Relationship Management system

> develop a new customer portal to support self-service and tracking

> offer a multi-channel service via our Customer Contact Centre.

ASSET MANAGEMENT STRATEGY

The Asset Management Strategy will support:

> strategic management of our asset portfolio including ensuring the data we hold is accurate

> compliance with the new regulatory requirements for building safety

> development of a strategic and costed plan to reduce the carbon emissions of our homes to net zero by 2050.

Our Asset Management Strategy includes:

> targeted strategies for managing our more complex buildings

> ensuring we hold accurate data on schemes, components and occupancy

> delivery of business systems supporting online accessibility of information in respect of our buildings to our customers and the business

> ensuring we have the knowledge and skill set to deliver large investment programmes in building safety and environmental sustainability.

Our transformation programme will ensure that processes and systems are improved and integrated so that our customers' experience is of a landlord committed to efficient and progressive management of the homes and estates where they live.

DEVELOPMENT STRATEGY

Our Development Strategy sets out the following outcomes:

> providing over 2,250 new homes for those who cannot afford to either rent or buy on the open market

> a focus on our core operating areas of Buckinghamshire, Bedfordshire and Hertfordshire

> a preferred tenure mix is for 50/50 affordable rent and shared ownership, however we will retain flexibility and adapt to market conditions

> identifying and maximising redevelopment opportunities within our existing asset portfolio, especially linked to the Asset Management Strategy

> working with customers, communities and partners to create places where people are proud to live and that demonstrate high quality affordable housing development

> ensuring our design standards at least meet the Future Homes Standard

> investigate the use of Modern Methods of Construction (MMC) where it increases long term quality, enhances safety and environmental performance and maximises the delivery of new affordable homes

> enhancing our design standards to deliver lower carbon, lower energy homes that minimise their impact on the environment and are resilient to an ever-changing climate, particularly where Paradigm is the developer.

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 Association. 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 concern basis unless it is inappropriate to presume that the Association 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 2018 (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 Association 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 Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each member of the board is aware:

- there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association'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 Association's auditors are aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Association'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 (2018), Statement of Compliance with the Regulator of Social Housing and Governance and Financial Viability Standard in year to date of this report.

The Board can confirm that no evidence of non-compliance has been identified since the last report.

Annual general meeting

The annual general meeting will be held on 22 September 2021.

The report of the Board was approved by the Board on 10 September 2021 and signed on its behalf by:

Julian Ashby
Chair

Financial Statements 2020/21

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

Opinion on the Financial Statements

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's and the Company's results for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

We have audited the Financial Statements of Paradigm Housing Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2021, which comprise the Group and Company statements of comprehensive income, the Group statement of changes in reserves, the Company statement of changes in reserves, the Group and Company statement of financial position, the Group statement of cash flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Board members' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the board members with respect to going concern are described in the relevant sections of this report.

Other information

The Board is responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Chair's Statement and Strategic Report and Performance Highlights, and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the information given in the Strategic Report and Performance Highlights for the financial year for which the Financial Statements are prepared is not consistent with the Financial Statements
- adequate accounting records have not been kept by the parent Company
- a satisfactory system of control has not been maintained over transactions
- the parent Company Financial Statements are not in agreement with the accounting records and returns
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board members' responsibilities statement set out on page 46, the board is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014 and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the Financial Statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

In addition, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment legislation, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- reading minutes of meetings of those charged with governance, reviewing correspondence with HMRC and the other regulators
- reviewing items included in the fraud register

- in addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management, privileged users or with unusual account combinations
- Challenging assumptions made by management in their significant accounting estimates and judgements in particular in relation to the following:
  - whether indicators of impairment exist
  - recoverable amount of housing properties
  - capitalisation of development costs
  - appropriate allocation of costs between tenure types and between first and subsequent shared ownership tranches, between tenures and between components
  - UELs of housing property components
  - assumptions used in pension and investment property valuations
  - depreciated replacement cost of properties with impairment indicators.

We also performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Elizabeth Kulczycki
(Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Gatwick

Date 17 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME	Notes	Group 2021 £'000	Group Restated 2020 £'000	Company 2021 £'000	Company 2020 £'000
Turnover	2	153,436	121,463	24,696	25,283
Cost of Sales	2	(50,248)	(19,851)	-	-
Operating costs	2	(59,587)	(62,240)	(25,491)	(24,890)
Gain on disposal of properties	2	4,696	3,616	-	-
Gain on stock swap	2	35,281	-	-	-
Operating surplus	2	**83,578**	**42,988**	**(795)**	**393**
Interest receivable and other income	6	531	569	-	-
Interest payable and financing costs	7	(29,997)	(28,355)	(422)	(448)
Movement in fair value of investments		36	448	-	-
Surplus/(deficit) before tax		**54,148**	**15,650**	**(1,217)**	**(55)**
Taxation	9	-	5	-	-
Surplus for the year		**54,148**	**15,655**	**(1,217)**	**(55)**
Actuarial (loss)/gain in respect of LGPS pension scheme	21	(23)	598	(23)	598
Actuarial (loss)/gain in respect of SHPS pension scheme	21	(6,816)	6,030	(6,816)	6,030
Total comprehensive income for the year		**47,309**	**22,283**	**(8,056)**	**6,573**

The Group and Company results relate wholly to continuing activities.
The accompanying notes form part of these Financial Statements.
These financial statements are approved and issued on behalf of the Board by the Chair and the Chief Executive on 10 September 2021.

Julian Ashby
Chair

Matthew Bailes
Board member

Ewan Wallace
Secretary

GROUP STATEMENT OF CHANGES IN RESERVES	Revenue Reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance as at 1 April 2019 (Restated)	**487,127**	**104,759**	**591,886**
Surplus for the year	15,655	-	15,655
Other comprehensive income for the year:			
Actuarial gain in respect of LGPS pension scheme	598	-	598
Actuarial loss in respect of SHPS pension scheme	6,030	-	6,030
Transfer from revaluation reserve to income and expenditure reserve	378	(378)	-
Balance as at 31 March 2020	**509,788**	**104,381**	**614,169**
Surplus for the year	54,148	-	54,148
Other comprehensive income for the year:			
Actuarial loss in respect of LGPS pension scheme	(23)	-	(23)
Actuarial loss in respect of SHPS pension scheme	(6,816)	-	(6,816)
Transfer from revaluation reserve to revenue reserve	26,212	(26,212)	-
Balance as at 31 March 2021	**583,309**	**78,169**	**661,478**

COMPANY STATEMENT OF CHANGES IN RESERVES	Revenue Reserve £'000
Balance as at 1 April 2019	**(16,185)**
Deficit for the year	(55)
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	598
Actuarial gain in respect of SHPS pension scheme	6,030
Balance as at 31 March 2020	**(9,612)**
Surplus for the year	(1,217)
Other comprehensive income for the year:	
Actuarial loss in respect of LGPS pension scheme	(23)
Actuarial loss in respect of SHPS pension scheme	(6,816)
Balance as at 31 March 2021	**(17,668)**

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION	Notes	Group 2021 £'000	Group Restated 2020 £'000	Company 2021 £'000	Company Restated 2020 £'000
Fixed assets					
Tangible fixed assets - housing properties	10	1,371,745	1,302,506	-	-
Other tangible fixed assets	11	11,795	11,181	-	-
Investment Properties	12	11,925	11,340	-	-
Investments - other	13	10,401	10,951	30	30
		1,405,866	**1,335,978**	**30**	**30**
Current assets					
Properties for sale	14	8,235	62,489	-	-
Debtors	15	7,698	11,170	10,223	7,165
Short term investments	16	523	6,405	-	-
Cash and cash equivalents		37,831	13,158	2,003	1,033
		54,287	**93,222**	**12,226**	**8,198**
Creditors: amounts falling due within one year	17	(35,059)	(32,319)	(16,366)	(10,528)
Net current assets/(liabilities)		**19,228**	**60,903**	**(4,140)**	**(2,330)**
Total assets less current liabilities		**1,425,094**	**1,396,881**	**(4,110)**	**(2,300)**
Creditors: amounts falling due after more than one year	18	(750,058)	(775,400)	-	-
Provisions for liabilities					
Net pension liability - SHPS	21	(11,173)	(5,161)	(11,173)	(5,161)
Net pension liability - LGPS	21	(2,113)	(1,929)	(2,113)	(1,929)
Other provisions		(272)	(222)	(272)	(222)
Total net assets/(liabilities)		**661,478**	**614,169**	**(17,668)**	**(9,612)**
Reserves					
Non equity share capital	23	-	-	-	-
Income and expenditure reserve		583,309	509,788	(17,668)	(9,612)
Revaluation reserve		78,169	104,381	-	-
Total reserves		**661,478**	**614,169**	**(17,668)**	**(9,612)**

The accompanying notes form part of these Financial Statements.
These financial statements are approved and issued on behalf of the Board by the Chair and the Chief Executive on 10 September 2021.

Julian Ashby
Chair

Matthew Bailes
Board member

Ewan Wallace
Secretary

GROUP STATEMENT OF CASH FLOWS	Notes	Group 2021 £'000	Group Restated 2020 £'000	Company 2021 £'000	Company 2020 £'000
Net cash generated from/(used by) operating activities	25	**120,323**	**79,072**	**1,394**	**1,059**
Cash flow from investing activities					
Purchase of fixed assets – housing properties		(51,959)	(74,112)	-	-
Purchase of fixed assets – other		(1,770)	(1,757)	(2)	(30)
Net cash received on stock swap		3,603	–		
Received grant		1,517	2,657	-	-
Repaid grant		–	(3,097)		
Interest received		531	568	-	-
		(48,078)	**(75,741)**	**(2)**	**(30)**
Cash flow from financing activities					
Interest paid		(32,983)	(32,804)	(422)	(448)
New loans – other		–	42,000	-	-
Movement in short term investments		5,882	(4,989)	-	-
Repayment of loans – bank		(20,471)	(5,538)	-	-
		(47,572)	**(1,331)**	**(422)**	**(448)**
Net change in cash and cash equivalents		**24,673**	**2,000**	**970**	**581**
Cash and cash equivalents at the beginning of the year		13,158	11,158	1,033	452
Cash and cash equivalents at the end of the year		**37,831**	**13,159**	**2,003**	**1,033**

The accompanying notes form part of these 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 (FRS102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP) 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The Company is a public benefit entity, part of a public benefit group.

The Financial Statements have been prepared on the historical cost basis of accounting except for investments and investment properties which are accounted for at fair value.

Prior year adjustments are disclosed within the notes and incorporate the accounting effect of material errors or emissions that took place in prior year after its reporting.

Reduced disclosures

The individual accounts of entities in Paradigm Housing Group have adopted the following disclosure exemptions except for the disclosure exemptions from Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues.

- financial instrument disclosures, including items of income, expenses, gains or losses relating to financial instruments; and exposure to and management of financial risks
- only one reconciliation of the number of shares has been presented as the reconciliation for Group and Company would be identical.

Going concern

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.

As a consequence of COVID-19 the group has undertaken extensive stress testing of its short term and long-term financial plans.

We have considered the impact that COVID-19 has on our cash flows, including sales, rent receipts, arrears and bad debt levels and the uncertainty regarding phasing of work to our stock. We have considered the values at which we hold our properties.

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
Where indicators of impairment exist then an asset's recoverable amount must be estimated to determine if an impairment adjustment is required; this entails making a number of assumptions, which include:

- Future occupancy levels
- Income levels
- Inflation rates
- Discount rates.

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 FRS102 clause 11.5. 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'.

Classification of Property
Investment property is property held to earn rentals or for capital appreciation or both. Property held for use in the production or supply of goods or services or for administrative purposes is treated as property, plant and equipment. The Group has therefore classified its office buildings (held for administrative purposes) as property, plant and equipment. A greater degree of judgement is required over the classification of housing property held for

social lettings. It is the Group's opinion that while rental income is received from the provision of social housing, the primary purpose is to provide social benefits. The provision of social housing is therefore akin to supplying a service and so property held for this purpose has been accounted for as property, plant and equipment. This treatment is consistent with housing associations that have chosen the alternative option of applying the revised UK GAAP (FRS 102), which contains explicit provisions for this scenario and arrives at a similar conclusion; it is also consistent with guidance contained in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 (the SORP).

Shared ownership properties
The costs of low cost home ownership properties are split between current and fixed assets on the basis of first tranche portion. The expected first tranche portion is accounted for as a current asset and the sales proceeds shown in turnover at point of sale. The remaining element of the shared ownership property is accounted for as a fixed asset within housing properties and subsequent sales treated as sales of fixed assets in operating profit.

Development expenditure
The Group capitalises development expenditure. Initial capitalisation of costs is based upon managements judgement that a development scheme is confirmed.

Sales proceeds and costs to complete for stock

Pensions assumptions, inc discount rate and salary increases
In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made being:

> inflation rate;

> life expectancy; and

> discount rate.

The Group is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 27.

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.

Stock and properties held for resale
Stock and properties held for sale are carried at the lower of cost or net realisable value. Management assess the net realisable value of schemes using publicly available information and internal forecasts on future sales prices after allowing for all further costs of completion and disposal. Existing sales – following the issue of SORP 2018, any profits on disposal of properties have been recognised as an operating item.

Trade receivables
Management exercise judgement relating to the recoverability of outstanding rental and other trade receivables. A review is performed regularly to assess the recoverability of these accounts.

Allocations of costs
Appropriate allocation of costs between tenure types and between first and subsequent shared ownership tranches.

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 21).

Valuation of investment properties
Investment properties are included at market value, being value after applying a discount to the open market value to reflect current assured shorthold tenancies. The valuation advised by an independent qualified valuer reflects key assumptions regarding discount rate, inflation and gross yield.

Related party transactions

The Group has taken advantage of the exemptions permitted under FRS102 - Related Party Disclosures (Reference IAC 34) and does not disclose transactions with wholly owned Group undertakings that are eliminated in consolidation.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiaries at 31 March 2021 using acquisition accounting. Details of subsidiaries are shown in note 30.

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 and tenanted. 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. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

For the Company, turnover represents charges for management and other services to other members of the Group and other services.

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 different 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 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

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 5.0%

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 both schemes, 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, adjusted for deferred taxation, is presented separately from other net assets on 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.

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; 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.

In current year Paradigm Homes Charitable Housing Association entered into a stock transaction with another social landlord. Housing properties with a fair value of £140,567k and £5,996k cash receipt were received in exchange for housing properties with a fair value of £148,192k. This value includes original grant funding of £41,797k which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Paradigm Homes Charitable Housing Association is responsible for the recycling of the grant in the event of housing properties disposed.

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	0.8%	125
Roofs	1.4%	70
Windows and doors	3.3%	30
Kitchens	5.0%	20
Bathrooms	3.3%	30
Heating systems	6.6%	15

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. The Group considers local authorities' areas to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of FRS102 and SORP 2018.

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 Homes England (HE), local authorities and other government organisations. Grants received in relation to assets that have been treated as deemed cost at the date of transition to FRS102 have been accounted for using the performance model. In applying this model such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward general reserves. Grants received since transition in relation to newly acquired or existing housing properties are accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and is amortised on a systematic basis over the useful life of the housing property structure, even if the fair value of the grant exceeds the carrying value of the structure in line with SORP 2018. No grant is recognised against other components.

When a housing property is sold which was partly funded by social housing grant (SHG) the grant becomes repayable and is transferred to a Recycled Capital Grant (RCGF) fund until it is either reinvested in a replacement property or repaid to Homes England or the GLA. Where grant has previously been recognised as income within the statement of comprehensive income, grant liability is created by increasing the cost of sale of the asset, unamortised grant is transferred between deferred capital grant, and RCGF.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Current asset investments

Investments are stated at market value. Changes in market 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.

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. The revaluation reserve represents the difference between the deemed cost of housing properties and the historic cost, net of depreciation.

Operating leases

Rental costs 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 FRS102, 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 market 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 profit or loss 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 Statement Of Comprehensive Income.

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 market 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.

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

	2021			
GROUP – CONTINUING ACTIVITIES	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**92,614**	**-**	**(54,088)**	**38,526**
Other social housing activities				
- Supporting People contract income	608	-	(36)	572
- Corporate services	-	-	(88)	(88)
- Development costs not capitalised	-	-	(1,419)	(1,419)
- First tranche shared ownership sales	13,569	(10,162)	-	3,407
- Other support services	13	-	-	13
- Office equipment, other rental and license fees	334	-	(1,299)	(965)
	14,524	**(10,162)**	**(2,842)**	**1,520**
Non-social housing activities:				
- outright property sales	40,817	(40,086)	-	731
- lettings	5,481	-	(2,396)	3,085
- other	-	-	(261)	(261)
	46,298	**(40,086)**	**(2,657)**	**3,555**
Gain on disposal of properties				4,696
Gain on stock swap				35,281
Total	**153,436**	**(50,248)**	**(59,587)**	**83,578**

GROUP – CONTINUING ACTIVITIES	Turnover £'000	2020 Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**91,684**	**-**	**(51,239)**	**40,445**
Other social housing activities				
- Supporting People contract income	129	-	(72)	57
- Corporate services	246	-	(144)	102
- Development costs	-	-	(6,445)	(7,652)
- First tranche shared ownership sales	19,560	(14,748)	-	5,976
- Other support services	13	-	-	13
- Office equipment, other rental and licence fees	143	-	(991)	(848)
	20,091	**(14,748)**	**(7,652)**	**(2,309)**
Non-social housing activities:				
- outright property sales	5,857	(5,103)	-	754
- lettings	3,831	-	(3,124)	707
- other	-	-	(225)	(225)
	9,688	**(5,103)**	**(3,349)**	**1,236**
Gain on disposal of properties	-	-	-	3,616
Total	**121,463**	**(19,851)**	**(62,240)**	**42,988**

*reclassification of housing asset sales from turnover and cost of sales to gain on disposal of properties and reclassification of costs between operating costs and cost of sales.

COMPANY – CONTINUING ACTIVITIES	Turnover £'000	2021 Operating costs £'000	Operating surplus £'000
Other social housing activities	24,696	(25,491)	(795)
	24,696	**(25,491)**	**(795)**

COMPANY – CONTINUING ACTIVITIES	Turnover £'000	2020 Operating costs £'000	Operating surplus £'000
Other social housing activities	25,283	(24,890)	393
	25,283	**(24,890)**	**393**

There are no social housing lettings within the Company.

Particulars of income and expenditure from social housing lettings

GROUP – CONTINUING ACTIVITIES	General needs housing £'000	Supported housing and housing for older people £'000	Temporary social housing £'000	Low cost home ownership £'000	2021 Total £'000	Restated 2020 Total £'000
Income:						
Rent receivable net of identifiable service charges	70,686	300	4,136	9,803	84,925	82,392
Service income	3,250	136	–	966	4,352	5,112
Fee income	–	–	2,718	–	2,718	2,471
Rechargeable works	393	–	–	–	393	-
Amortised government grants	370	–	–	–	370	218
Revenue grants	(144)	–	–	–	(144)	1,491
Turnover from social housing lettings	**74,555**	**436**	**6,854**	**10,769**	**92,614**	**91,684**
Operating costs:						
Management	6,217	468	981	1,786	9,452	7,397
Services	4,855	154	–	–	5,009	5,874
Routine maintenance	10,785	–	31	–	10,816	11,888
Planned maintenance	10,444	–	166	–	10,610	8,717
Bad debts	345	–	114	–	459	690
Property lease charges	26	–	5,405	–	5,431	5,695
Depreciation	9,541	28	–	–	9,569	9,343
Impairment	587	–	–	–	587	–
Other costs	2,154	–	1	–	2,155	1,635
Operating costs of social housing lettings	**44,954**	**650**	**6,698**	**1,786**	**54,088**	**51,239**
Operating surplus from social housing lettings	**29,601**	**(214)**	**156**	**8,983**	**38,526**	**40,445**
Void losses	**429**	**5**	**150**	**–**	**584**	**592**

*reclassification of housing asset sales from turnover and cost of sales to gain on disposal of properties and reclassification of costs between operating costs and cost of sales.

3. Accommodation in management and development

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

	Group 2021 Number of units	Group 2020 Number of units
Social housing		
General needs housing – social and intermediate rent	9,001	8,748
General needs housing – affordable rent	2,387	2,277
Supported housing and housing for older people	170	256
Low cost home ownership	2,575	2,367
Temporary social housing	55	55
Total owned	**14,188**	**13,703**
Temporary social housing – short leasehold	333	358
Accommodation managed for others	42	35
Total owned and managed	**14,563**	**14,096**
Non-social housing		
Market rented properties	315	286
Leasehold properties	772	833
Total non-social housing owned and managed	**1,087**	**1,119**
Total housing owned and managed	**15,650**	**15,215**
Accommodation in development at the year end		
General needs housing	552	762
Low cost home ownership	325	623
Outright sales	–	28
Total under development	**877**	**1,413**
New homes under construction included in development plant	**691**	**1,308**

	Group 2020 Number of units	Sold/ handbacks	Movement between categories	Additions	Group 2021 Number of units
Social housing					
General needs housing – social and intermediate rent	8,748	(596)	1	848	9,001
General needs housing – affordable rent	2,277	(244)	51	303	2,387
Supported housing and housing for older people	256	(71)	(53)	38	170
Low cost home ownership	2,367	(164)	–	372	2,575
Temporary social housing	55	–	–	–	55
Total owned	**13,703**	**(1,075)**	**(1)**	**1,561**	**14,188**
Temporary social housing – short leasehold	358	(18)	(7)	–	333
Accommodation managed for others	35	–	7	–	42
Total owned and managed	**14,096**	**(1,093)**	**(1)**	**1,561**	**14,563**
Non-social housing					
Market rented properties	286	–	1	28	315
Leasehold properties	833	(95)	–	34	772
Total owned and managed	**15,215**	**(1,188)**	**–**	**1,623**	**15,650**

4. Employees

AVERAGE MONTHLY NUMBER OF EMPLOYEES EXPRESSED AS FULL-TIME EQUIVALENTS	Group and Company 2021 Number	2020 Number
Administration	119	96
Development	31	30
Housing and support	148	138
Maintenance	168	171
	466	**435**

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

STAFF COSTS FOR EMPLOYEES INCLUDING EXECUTIVE DIRECTORS	Group and Company 2021 £'000	2020 £'000
Wages and salaries	18,615	18,240
Social security costs	1,910	1,739
Pension costs	1,308	1,122
	21,833	**21,101**

Pension costs relate to participation in the Local Government Pension Scheme (LGPS), in the Social Housing Pension Scheme (SHPS) or in defined contribution stakeholder arrangements. Further information on LGPS and SHPS is given in note 21. Furlough of £241k was received in year.

THE FULL-TIME EQUIVALENT NUMBER OF STAFF INCLUDING DIRECTORS WHO RECEIVED EMOLUMENTS	Group and Company 2021 Number	2020 Number
£60,000 to £70,000	15	16
£70,001 to £80,000	13	8
£80,001 to £90,000	12	5
£90,001 to £100,000	3	1
£100,001 to £110,000	2	4
£110,001 to £120,000	1	1
£120,001 to £130,000	2	1
£130,001 to £140,000	2	–
£140,001 to £150,000	–	3
£150,001 to £160,000	2	1
£160,000 to £170,000	2	–
£170,001 to £180,000	–	1
£180,001 to £190,000	–	–
£190,001 to £200,000	1	1

5. Key management personnel remuneration

Key management personnel	Group and Company 2021 £	2020 £
Board	99,528	92,740
Executive management team	1,229,133	1,085,828
The aggregate remuneration for key management personnel, which includes the executive directors and other members of senior management charged in the year	**1,328,661**	**1,178,568**

Highest paid director:

Remuneration payable to the highest paid director

Wages, salaries and benefits in kind	177,137	173,989
Pensions	18,604	17,774
	195,741	**191,763**

Chief Executive pension contributions:

The Chief Executive is an ordinary member of the Defined Contribution Social Housing Pension Scheme (SHPS) (see note 21). 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.

Board members' emoluments payable non-executive and executive are shown below

Directors are defined as members of the Board, including the Chief Executive	Group and Company 2021 £	2020 £
Executive director	195,741	191,763
Non-executive directors	99,528	92,740
Aggregate emoluments payable to directors including pension contributions and benefits in kind	**295,269**	**284,503**

THE AGGREGATE EMOLUMENTS PAID TO OR RECEIVED BY NON EXECUTIVE DIRECTORS	Group and Company 2021 £	2020 £
Janet Ogundele	–	4,703
Richard Archer	4,300	4,300
John Cross	10,500	10,500
Mathew Bishop	8,000	8,000
Patricia Brandum	10,500	10,500
Phil Shepley	8,000	8,000
John Simpson	10,500	10,500
Julian Ashby	16,000	16,000
Peter Quinn	8,000	8,000
Philippa Lowe	10,500	10,500
Liz Bailey	8,000	1,421
Timothy Yates	1,000	158
Patricia Buckland	1,000	158
	96,300	**92,740**

6. Interest receivable and other income

	Group		Company	
	2021 £'000	2020 Restated £'000	2021 £'000	2020 £'000
Interest receivable from short term deposits and long term investments	531	569	–	–
	531	**569**	**–**	**–**

7. Interest payable and similar charges

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Pension interest expense:				
Defined Benefit Scheme - LGPS (note 21)	45	55	45	55
Defined Benefit Scheme - SHPS (note 21)	111	264	111	264
	156	**319**	**156**	**319**
On bank loans, overdrafts and other loans:				
Interest paid to group companies	–	–	266	129
Interest paid on loans due within five years	–	–	–	–
Interest paid on loans due in more than five years	32,718	32,508	–	–
	32,718	**32,508**	**266**	**129**
Interest payable capitalised on properties in the course of construction	(2,877)	(4,472)	–	–
Total	**29,997**	**28,355**	**422**	**448**
Capitalisation rate used to determine the finance costs capitalised during the period	5.0%	4.4%		

8. Operating surplus

The operating surplus is arrived at after charging:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Depreciation of housing properties	9,569	9,300	–	–
Impairment of housing properties	428	8,098	–	–
Depreciation of other owned fixed assets	1,155	1,014	–	–
Operating lease rentals				
- land and buildings	5,432	5,695	–	–
- office equipment and computers	–	–	–	–
Auditors' remuneration (excluding VAT)				
- Fees payable to the Company's auditors for the audit of the Financial Statements	74	58	–	–
- Audit of the Financial Statements of the Company's subsidiaries pursuant to legislation	5	10	–	–
Total audit services	**79**	**68**	**–**	**–**
- All other services	–	–	–	–
Total non-audit services	**–**	**–**	**–**	**–**

9. Taxation

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
UK Corporation tax				
Current tax on income for the period	–	–	–	–
Adjustments in respect of prior years	–	–	–	–
Corporation tax charge for the period	**–**	**–**	**–**	**–**
Deferred tax				
Origination and reversal of timing differences	–	(5)		
Tax on surplus on ordinary activities	**–**	**(5)**	**–**	**–**

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Surplus/(Deficit) on ordinary activities before tax	54,148	15,650	(1,217)	(56)
Tax on surplus/(deficit) on ordinary activities at standard corporation tax rate of 19% (2019: 19%)	10,288	2,973	(231)	(11)
Effects of:				
Expenses not deductible for tax	–	4	–	–
Income not taxable for tax purposes	(10,276)	(2,692)	–	–
Amounts (charged)/credited directly to equity or otherwise transferred	(1,299)	1,259	(1,299)	1,259
Adjust opening deferred tax to average rate		(314)		(314)
Deferred tax not recognised	1,530	(934)	1,530	(934)
Other movements	(243)	(301)	–	–
Total current tax charge	**–**	**(5)**	**–**	**–**

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17% from 19% starting 1 April 2021 has been cancelled and the cancellation was substantively enacted in March 2021 so the current and future rates are now all 19%.

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

10. 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 2020	1,206,555	26,948	152,371	69,064	1,454,938
Reclassification	–	–	6,448	–	6,448
At 1 April 2020 (Restated*)	1,206,555	26,948	158,819	69,064	1,461,785
Additions	–	32,490	–	17,546	50,036
Property improvements	4,800	–	–	–	4,800
Transfers to completed schemes	27,057	(27,057)	7,422	(7,422)	–
Transfer to current assets following change in designation	–	–	1,478	–	1,478
Housing properties disposals	(113,597)	–	(14,920)	–	(128,517)
Transfer from/(to) another RP	140,567	–	–	–	140,567
Interest capitalised	(243)	–	–	–	(243)
At 31 March 2020	**1,265,139**	**32,381**	**152,799**	**79,188**	**1,529,507**
Less depreciation and impairment					
At 1 April 2020	151,132	4,998	–	2,750	158,880
Charge for the year	3,903	(3,475)	–	–	428
Impairment	9,569	–	–	–	9,569
Eliminated in respect of disposals	(11,074)	–	–	–	(11,074)
Housing properties disposal	(41)	–	–	–	(41)
At 31 March 2021	**153,489**	**1,523**	**–**	**2,750**	**157,762**
Net book value at 31 March 2021	**1,111,650**	**30,858**	**152,799**	**76,438**	**1,371,745**
Net book value at 31 March 2020	**1,055,423**	**21,950**	**158,819**	**66,314**	**1,302,506**

*£6,448k was reclassified from properties for sale to housing properties as the Association adjusted first tranche equity in stock to 37% from 50%.

During the year £2,877k (2020: £2,266k) interest costs directly attributable to the financing of properties were capitalised at the average cost of borrowings of 5% (2020: 5%).

	2021 £'000	2020 £'000
Freehold land and buildings	1,252,383	1,177,155
Long leasehold land and buildings	117,463	123,725
Short leasehold land and buildings	1,899	1,626
	1,371,745	**1,302,506**

EXPENDITURE ON WORKS TO EXISTING PROPERTIES	2021 £'000	2020 £'000
Completed properties acquired:		
Components capitalised	4,800	6,329
Component write offs	(202)	(180)
Property Improvements	**4,598**	**6,149**

SOCIAL HOUSING ASSISTANCE	2021 £'000	2020 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Held as deferred income (note 22)	33,737	36,736
Recognised in the Statement of Comprehensive Income	310,598	310,919
Total government grant	**344,335**	**347,655**

The amount that has been recognised in the income and expenditure reserve in the current year and in prior years in the statement of comprehensive income becomes contingent liabilities and will crystallise when the property the grant relates to has been disposed of or ceases to be used for social housing purposes. At this point the contingent liability is transferred to the recycled capital grant fund as a liability and cost of disposal in the statement of comprehensive income. The Group had £41,797k contingent liabilities at 31 March 2021 (2020: £nil) other than the government grant recognised in the statement of comprehensive income in the current and prior years.

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:	2021 £'000	2020 £'000
Historical cost	1,451,338	1,357,005
Less: depreciation and impairment	(157,762)	(158,880)
Historical cost net book value	**1,293,579**	**1,198,125**
Revaluation reserve	78,169	104,381
Net book value at 31 March	**1,371,745**	**1,302,506**

11. 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 2020	12,321	1,609	1,027	3,734	18,691
Additions	–	–	–	1,770	1,770
At 31 March 2021	**12,321**	**1,609**	**1,027**	**5,504**	**20,461**
Less depreciation and impairment					
At 1 April 2020	4,384	903	329	1,894	7,510
Charge for the year	411	211	42	492	1,156
At 31 March 2021	**4,795**	**1,114**	**371**	**2,386**	**8,666**
Net book value at 31 March 2021	**7,526**	**495**	**656**	**3,118**	**11,795**
Net book value at 31 March 2020	**7,937**	**706**	**698**	**1,840**	**11,181**

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

VALUATION	Group 2021 £'000	Group 2020 £'000
At 1 April	11,340	11,340
Additions	–	–
Disposals	(23)	–
Increase in value	608	–
At 31 March	**11,925**	**11,340**
Number of properties in ownership	**61**	**61**

The Group's investment properties were valued at 31 March 2021 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 – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2021 together, where applicable, with the UK National Supplement effective 14 January 2020, together the ''Red Book'.

Market rent stocks have been valued on MV-STT to reflect the current assured shorthold tenancies.

13. Investments

LONG TERM INVESTMENTS	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
The Housing Finance Corporation Ltd	6,278	6,826	–	–
Haven Bond issues security deposit	3,397	3,365	–	–
AHF Bond	696	730	–	–
MOR Homes PLC	30	30	30	30
Valuation at 31 March	**10,401**	**10,951**	**30**	**30**
Cost at 31 March	**8,210**	**8,210**	**30**	**30**

MOVEMENT OF LONG TERM INVESTMENTS	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
At 1 April	10,951	10,490	–	–
New investments/(Withdrawals)	–	(51)	–	–
Interest received	35	41	–	–
(Deficit)/Surplus on revaluation	(585)	471	–	–
Valuation at 31 March	**10,401**	**10,951**	**–**	**–**

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

14. Properties for sale

	Group 2021 £'000	Group *Restated 2020 £'000	Company 2021 £'000	Company 2020 £'000
Properties under construction	7,324	20,907	–	–
Completed properties	911	41,582	–	–
At 31 March	**8,235**	**62,489**	**–**	**–**

Please refer to Note 10 for explanation to restatement.

15. Debtors

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	Restated 2020 £'000
Rent and service charges receivable	4,753	3,570	–	–
Less bad debt provision	(1,505)	(1,108)	–	–
	3,248	2,462	–	–
Social Housing Grant receivable	25	25	–	–
Prepayments and accrued income	2,723	4,158	328	202
Amount owed by group undertakings	–	–	8,751	3,217
Other debtors	2,594	5,811	2,279	5,031
Sundry bad debt provision	(892)	(1285)	(1,135)	(1,285)
At 31 March	**7,698**	**11,170**	**10,233**	**7,165**

There was a correction of £3,217k between intercompany debtors and creditors for Company in 2019/20 financial year end.

16. Short term investments

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
95 day notice deposit	–	5,137	–	–
32 day notice deposit and leaseholder sinking funds	523	1,268	–	–
At 31 March	**523**	**6,405**	**–**	**–**

17. Creditors: amounts falling due within one year

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	Restated 2020 £'000
Trade creditors	3,539	8,467	1,820	3,902
Loans repayable in less than one year	5,794	5,251	–	–
Amounts owed to Group undertakings	–	–	12,355	5,135
Rent and service charges in advance	4,306	2,795	–	–
Recycled Capital Grant Fund (note 19)	1,164	560	–	–
Other taxation and social security payable	1,032	397	1,069	433
Deferred capital grant (note 20)	452	328	–	–
Other creditors	68	109	49	–
Accruals and deferred income	18,704	17,390	1,073	1,058
At 31 March	**35,059**	**32,319**	**16,366**	**10,528**

There was a correction of £3,217k between intercompany debtors and creditors for Company in 2019/20 financial year end.

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

	Group	
	2021 £'000	2020 £'000
Bank loans	708,366	729,138
Net premiums on bond issues	6,804	7,038
Other loans	–	–
Deferred income	244	268
Recycled capital grant fund (note 19)	1,359	2,550
Deferred capital grant (note 20)	33,285	36,406
At 31 March	**750,058**	**775,400**

Bank loans

Of the £708,365k (2020: £729,139k) bank loans due after more than one year and drawn down at 31 March 2021, £674,928k (2020: £678,383k) was fixed with interest rates varying from 1.939% to 7.00%. The balance of £33,438k (2020: £50,755k) has interest rates varying from 0.32% to 1.05% above the London Inter-Bank Offer Rate.

These loans, and those repayable within one year, are secured by a first charge on 9,206 of the Paradigm Housing Group Association's properties and are repayable as follows:

	Group	
	2021 £'000	2020 £'000
One year or more but less than two years	9,847	5,774
Two years or more but less than five years	32,957	46,211
Five years or more	665,562	677,153
At 31 March	**708,366**	**729,138**

Included in housing loans above are unamortised arrangement fees of £250k (2020: £271k). These fees are being amortised over the period of the loans which range from 6 years to 16 years.

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 18 years remaining.

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 16 years remaining.

19. Recycled capital grant fund

		Group - HE		Group - GLA	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 April		1,730	3,658	1,379	3,136
Adjustment to opening balance		–	(346)	–	439
Inputs to fund:	- Grants recycled	43	163	28	45
	- Interest accrued	2	24	1	25
Recycling of grant:	- Purchase and development of property	(660)	(1,769)	–	(2,266)
At 31 March		**1,115**	**1,730**	**1,408**	**1,379**

Recycled Capital Grant Fund is capital grant provided through the Homes England ("HE") and local authorities ("GLA") 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. £Nil (2020: £3,369k) has been disclosed within creditors falling due within one year as it has been identified as potentially repayable to Homes England and local authorities. The Group is actively working with the relevant agencies to mitigate the risk of being required to payback any sums by allocating amounts to schemes that are currently progressing.

20. Deferred capital grant

	Group		Group	
GOVERNMENT GRANT	2021 Completed schemes £'000	2021 Under construction £'000	2020 Completed schemes £'000	2020 Under construction £'000
At 1 April	25,096	11,640	24,526	9,191
Grant received in the year	–	1,517	–	2,657
Grant repaid in the year	–	660	–	3,097
Transfer to completed schemes	3,744	(3,744)	833	(833)
Transfer to recycled capital grant fund	(4,230)	(556)	(48)	(2,471)
	24,610	**9,517**	**25,311**	**11,641**
Grant amortised	(390)	–	(216)	–
At 31 March	**24,220**	**9,517**	**25,095**	**11,641**
Amounts to be released within one year	452	–	328	–
Amounts to be released in more than one year	23,768	9,517	24,767	11,641
	24,220	**9,517**	**25,095**	**11,641**

21. 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 Council (Local Government Pension Scheme) and the Social Housing Pension Scheme administered by The Pensions Trust.

In accordance with FRS102, pension costs in relation to both schemes 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 rate of return on investments and the rate of increases in salaries and pensions.

The Pensions Trust – Social Housing Pension Scheme (SHPS)

The Company participates in the Social Housing Pension Scheme ("the Scheme"), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

Demographic / statistical assumptions

The post retirement mortality tables adopted are the S2PXA tables with a multiplier of 103%. These base tables are then projected using the CMI_2017 Model, allowing for a long-term rate of improvement of 1.3%p.a. for males and 1%p.a. for females.

The assumed life expectancy from age 65 are:

	At 31 March 2021
Retiring today	**Years**
Males	21.6
Females	23.5
Retiring in 20 years	
Males	22.9
Females	25.1

Financial Assumptions

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

	At 31 March	
	2021	2020
Discount rate	2.2%	2.4%
Inflation (RPI)	3.2%	2.6%
Inflation (CPI)	2.9%	1.6%
Salary growth	3.9%	2.6%
Allowance for commutation of pension for cash at retirement (% of maximum)	75%	75%

These assumptions are set with reference to market conditions at 31 March 2021.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT LIABILITY	2021 £'000	2020 £'000
Fair value of plan assets	38,651	33,776
Present value of defined benefit obligation	(49,824)	(38,937)
Defined benefit liability to be recognised	**(11,173)**	**(5,161)**

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME	2021 £'000	2020 £'000
Current service cost	768	860
Expenses	31	31
Operating costs subtotal	**799**	**891**
Net interest expense	111	264
Finance costs subtotal	**111**	**264**
Total expense	**910**	**1,155**

Sensitivity analysis

The precise impact of changing the assumptions will vary from employer to employer based on their membership profile, typical values are given below

Assumption	Impact
Discount rate	Typically increasing/(decreasing) this assumption by 0.1% p.a. would decrease/(increase) liabilities in the order of 2%
RPI inflation	Typically increasing/(decreasing) this assumption by 0.1% p.a. would increase/(decrease) liabilities in the order of 2%
Salary growth	Typically increasing/(decreasing) this assumption by 0.1% p.a. would increase/(decrease) earnings related liabilities by 1% p.a.
Life expectancy	Adding 1 year to the life expectancy typically adds approximately 2.8% to the liabilities

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION	2021 £'000	2020 £'000
Defined benefit obligation at start of period	38,937	43,182
Current service cost	768	860
Expenses	31	31
Interest expense	916	1,017
Contributions by plan participants	111	128
Actuarial gain/(loss) due to scheme experience	(889)	236
Actuarial gain/(loss) due to changes in demographic assumptions	173	(378)
Actuarial gain/(loss) due to changes in financial assumptions	10,573	(5,497)
Benefits paid and expenses	(796)	(642)
Defined benefit obligation at end of period	**49,824**	**38,937**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS	2021 £'000	2020 £'000
Fair value of plan assets at start of period	33,776	31,564
Interest income	805	753
Experience on plan assets (excluding amounts included in interest income)	3,041	391
Contributions by the employer	1,714	1,582
Contributions by plan participants	111	128
Benefits paid and expenses	(796)	(642)
Fair value of plan assets at end of period	**38,651**	**33,776**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £1,344,000.

REMEASUREMENTS IN OTHER COMPREHENSIVE INCOME	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in interest income) – gain	3,041	391
Actuarial gain due to scheme experience	889	(236)
Actuarial losses due to changes in demographic assumptions	(173)	378
Actuarial losses due to changes in financial assumptions	(10,573)	5,497
Actuarial gain in respect of SHPS pension scheme	**(6,816)**	**6,030**

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME	2021 £'000	2020 £'000
Current service cost	768	860
Expenses	31	31
Net interest expense	111	264
Defined benefit costs recognised in statement of comprehensive income	**910**	**1,155**

Retirement benefits – Buckinghamshire Council Pension Fund

Some employees of the Group are admitted to the Buckinghamshire Council Pension Fund ("the Fund"), which is administered by Buckinghamshire 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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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 £72k (2020:£69k) covering an average of 7 employees (2020:7 employees) at a contribution rate of 17% (2020:17%) of pensionable salaries. The Group estimates that the contribution to be paid to the fund during the accounting period commencing 1 April 2021 is £55k.

Demographic/Statistical Assumptions

The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI_2018 Model, allowing for a long-term rate of improvement of 1.3% p.a.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2020. We have adopted the default smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a. adopting a long-term improvement rate of 1.3% p.a. The effect of updating to the most recent model is reflected in the change in demographic assumptions figure in the table on page 90.

The assumed life expectancies from age 65 are:

	At 31 March		
	2021 post CMI	2021 pre CMI	2020
Retiring today	Years	Years	Years
Males	21.6	21.9	21.8
Females	25.0	25.2	25.1
Retiring in 20 years			
Males	22.9	23.3	23.2
Females	26.4	26.6	26.5

We have also assumed that:

> members will exchange half of their commutable pension for cash at retirement

> members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age

> the proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial Assumptions

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

	At 31 March		
	2021	2020	2019
Salary increases	3.9%	3.0%	4.0%
Pension increases	2.9%	2.0%	2.5%
Discount rate	2.0%	2.4%	2.3%

These assumptions are set with reference to market conditions at 31 March 2021.

Our estimate of the Group's past service liability duration is 15 years.

An estimate of the Group's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.2% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value is shown in the above tables.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.5% p.a. below RPI ie. 2.9% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Employer's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030.

Salaries are assumed to increase at 1.0% p.a. above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH	2021 £'000	2020 £'000	2019 £'000
Present value of funded obligation	(13,460)	(11,576)	(12,594)
Fair value of scheme assets (bid value)	11,578	9,881	10,424
Net liability	**(1,882)**	**(1,695)**	**(2,170)**
Present value of unfunded obligation	(231)	(234)	(243)
Net defined benefit liability	**(2,113)**	**(1,929)**	**(2,413)**

ANALYSIS OF AMOUNT CHARGED IN THE INCOME AND EXPENDITURE ACCOUNT	2021 £'000	2020 £'000
Service Cost	182	121
Administration expense	11	10
Operating costs subtotal	**193**	**131**
Net interest on the defined liability	45	55
Finance costs subtotal	45	55
Total expense	**238**	**186**

Sensitivity analysis

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

ADJUSTMENT TO THE DISCOUNT RATE:	+0.1%	0.0%	-0.1%
Present value of total obligation (£'000)	13,492	13,691	13,894
Projected service cost (£'000)			
ADJUSTMENT TO LONG TERM SALARY INCREASE:	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation (£'000)	13,708	13,691	13,674
Projected service cost (£'000)			
ADJUSTMENT TO PENSION INCREASES AND DEFERRED REVALUATION:	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation (£'000)	13,875	13,691	13,511
Projected service cost (£'000)			
ADJUSTMENT TO LIFE EXPECTANCY ASSUMPTIONS:	**+1 year**	**none**	**-1 year**
Present value of total obligation (£'000)	14,641	13,691	12,809
Projected service cost (£'000)			

CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION:	2021 £'000	2020 £'000
Opening balance defined benefit obligation	11,810	12,837
Current service cost	104	121
Interest cost	272	295
Change in financial assumptions	2,213	(957)
Change in demographic assumptions	(139)	(110)
Experience loss/(gain) in defined benefit obligation	(165)	117
Estimated benefits paid net of transfers in	(484)	(494)
Past service costs including curtailment	78	–
Contributions by scheme participants	23	22
Unfunded pension payments	(21)	(21)
Closing defined benefit obligation	**13,691**	**11,810**

CHANGES IN VALUE OF SCHEME ASSETS:	2021 £'000	2020 £'000
Opening fair value of scheme assets	9,881	10,424
Interest on assets	227	240
Return on assets less interest	1,886	(624)
Other actuarial gain	–	272
Administrative expenses	(11)	(10)
Contributions by employer including unfunded	77	72
Contribution by scheme participants	23	22
Estimated benefits paid including unfunded benefits	(505)	(515)
Closing fair value of scheme assets	**11,578**	**9,881**

The total return on the fund assets for the year to 31 March 2021 is (£384,000) (2020: £529,000).

REMEASUREMENTS IN OTHER COMPREHENSIVE INCOME	2021 £'000	2020 £'000
Return on fund assets in excess of interest	1,886	(624)
Other actuarial gains on assets	–	272
Change in financial assumptions	(2,213)	957
Change in demographic assumptions	139	110
Experience (loss) on defined benefit obligation	165	(117)
Remeasurement of the defined liability and scheme assets	**(23)**	**598**

Contributions to other pension schemes

The Group did not make any contributions to other pension schemes in the year (2020: £nil).

LGPS scheme

Following employee consultation, the LGPS scheme was closed to the seven remaining members from 1 June 2021. The seven employees were transferred to the SHPS Defined Contribution scheme and will have access to the same pension contribution structure as all other employees.

Ex-LGPS members were advised that LGPS benefits built up prior to 1 June 2021 would be unaffected. These seven employees remain entitled to these benefits at retirement in respect of their service up to 1 June 2021.

Paradigm has concluded a Deferred Debt Agreement ("DDA") with Buckinghamshire Council. This has served to avoid the immediate crystallisation of a £3.7M debt at the point at which we had no active members in the scheme. The DDA termination date is April 2036. Contributions towards future benefits are no longer payable (primary contributions). Paradigm remains "on risk" and payments towards any funding deficit (secondary contributions) must still be paid, when required, up to the DDA termination date. Liabilities and contributions will be calculated on a "projected cessation basis". There is no deficit under this basis, and therefore no secondary contributions are payable for now. No security has been required and the previous pension bond has not been renewed.

22. 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:

	Unrecognised deferred tax assets			
	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Difference between accumulated depreciation and amortisation and capital allowances	–	8	–	8
Pension schemes deficits	–	1,347	–	1,347
Losses	(38)	384	–	384
Deferred tax asset	**(38)**	**1,739**	**–**	**1,739**

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

23. Non-equity share capital

	Company	
	2021 £	20120 £
Allotted, issued and fully paid		
At 1 April	11	11
Issued during the year	–	1
Surrendered during the year	–	(1)
At 31 March	**11**	**11**

Each member of the Board 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.

24. Net debt

	At 1 April 2020 £'000	Cashflows £'000	Reclassification of debt £'000	At 31 March 2021 £'000
Cash and cash equivalents				
Cash	13,159	24,672	–	37,831
Borrowings				
Debt due within one year	5,490	(5,468)	5,772	5,794
Debt due after one year	729,138	(15,000)	(5,772)	708,366
Total debt	**734,628**	**(20,468)**	**–**	**714,160**
Total net debt	**721,469**	**(45,140)**	**–**	**676,329**

25. Net cash generated from operations

	Group		Company	
	2021 £'000	Restated* 2020 £'000	2021 £'000	2020 £'000
Surplus/(deficit) for the year	**54,148**	**15,655**	**(1,217)**	**(55)**
Adjustments for non-cash items:				
Depreciation of fixed assets – housing properties	9,559	9,300	–	–
Depreciation on replaced components	202	–	–	–
Depreciation of fixed assets – other	997	1,014	–	–
Amortised grant	(185)	(216)	–	–
Interest payable and finance costs	29,997	28,335	–	–
Interest received	(531)	(568)	–	–
Taxation expense	–	(5)	–	–
Movement in fair value of investment properties	(585)	–	–	–
Movement in fair value of investment	550	(451)	–	–
Amortisation of loan issue costs	(234)	(224)	–	–
Increase in impairment	587	8,098	–	–
Surplus on the sale of fixed assets – housing properties	(4,696)	(3,615)	422	448
Proceeds from the sale of fixed assets net of selling cost – housing properties	9,400	7,709	–	–
Non cash movement on the stock swap	(35,281)	–	–	–
Difference in net pension expense and liability	(641)	(313)	(593)	(134)
Movement in trade and other debtors	3,321	(4,139)	(3,058)	(1,867)
Movement in stock	52,374	15,028	–	–
Movement in trade and other creditors	1,341	3,473	5,840	2,667
Net cash generated from/(used by) operations	**120,323**	**79,070**	**1,394**	**1,059**

26. Leasing commitments

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

	Group		Company	
Operating leases expiring:	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	3,643	3,957	335	3
Between one and five years	2,319	2,794	40	907
More than five years	–	–	–	–
At 31 March	**5,961**	**6,751**	**375**	**910**

	Group	
Lease receivable income is as follow:	2021 £'000	2020 £'000
Within one year	123	185
Between one and five years	493	540
More than five years	1,386	1,549
At 31 March	**2,002**	**2,274**

27. Capital commitments

	Group	
	2021 £'000	Restated 2020 £'000
Capital expenditure contracted for but not provided in the Financial Statements	82,984	103,380
Capital expenditure that has been authorised by the Board but not contracted for	79,319	96,922
At 31 March	**162,303**	**200,302**

The above commitments will be financed through borrowings of £182.3m (2020: £173.8m) which are available for draw-down under existing loan arrangements.

28. Borrowing facilities

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

	Group	
	2021 £'000	2020 £'000
Expiring in less than one year	6,952	6,548
Expiring in more than one year but not more than two years	3,595	6,952
Expiring in more than two years	171,718	160,313
	182,265	**173,813**

29. Contingent assets and liabilities

The Group and Company had £41,797k contingent assets or liabilities at 31 March 2021 (2020:£nil) other than the Government grant recognised in the statement of comprehensive income in the current and prior years as disclosed in note 10.

30. 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 controlled
Paradigm Homes Charitable Housing Association Limited	England	Provision of social housing	Ordinary	100%
Paradigm Commercial Limited	England	Provision of housing and other properties for rent or sale	Ordinary	100%
Paradigm Development Services Limited	England	Provision of development services	Ordinary	100%
Paradigm Maintenance Limited	England	Provision of maintenance services	Ordinary	100%
Mary Bailey-Smith Almshouses	England	Provision of almshouses	None	None

The principal place of business for the above entities is 1 Glory Park Avenue, Wooburn Green, Bucks, 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	2021 £'000	2020 £'000
Paradigm Commercial Limited	Accommodation units	102	120
Paradigm Development Services Limited	Payroll costs	2,398	2,661
Paradigm Maintenance Limited	Headcount	12,879	13,516
		15,379	16,297

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

	2021 £'000	2020 £'000
Paradigm Commercial Limited	2,261	1,776
Paradigm Development Services Limited	458	(2,691)
Paradigm Maintenance Limited	8,051	–

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 at a fixed rate of 5%.

31. 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 Act 2014. The regulator is the Financial Conduct Authority. The Company is also registered with the Regulator of Social Housing.

32. Post balance sheet events

Post the year end in May 2021 Paradigm issued its first own name bond for £350m, backed by our debut credit rating from Standard and Poor's of A+ (stable).

33. Prior Period Restatements

GROUP – STATEMENT OF COMPREHENSIVE INCOME	2020 £'000	Reclassification of cost of sales	Reclassification of existing sales	Restated 2020 £'000
Turnover	129,172	-	(7,709)	121,463
Cost of Sales	-	(23,944)	4,093	(19,851)
Operating costs	(86,184)	23,944	-	(62,240))
Gain on disposal of properties	-	-	3,616	3,616
Operating surplus	**42,988**	**-**	**-**	**42,988**
Interest receivable and other income	569	-	-	569
Interest payable and financing costs	(28,355)	-	-	(28,355)
Movement in fair value of investments	448	-	-	448
Surplus/(deficit) before tax	**15,650**	**-**	**-**	**15,650**
Taxation	5	-	-	-
Surplus for the year	**15,655**	**-**	**-**	**15,655**
Actuarial (loss)/gain in respect of LGPS pension scheme	598	-	-	598
Actuarial (loss)/gain in respect of SHPS pension scheme	6,030	-	-	6,030
Total comprehensive income for the year	**22,283**	**-**	**-**	**22,283**

33. Prior Period Restatements (continued)

GROUP STATEMENT OF FINANCIAL POSITION	2020 £'000	Change in stock allocation £'000	Grant reclassified between creditors <1> year £'000	Restated 2020 £'000
Tangible fixed assets - housing properties	1,296,058	6,448	–	1,302,506
Other tangible fixed assets	11,181	–	–	11,181
Investment Properties	11,340	–	–	11,340
Investments - other	10,951	–	–	10,951
	1,329.530	**6,448**		**1,335,978**
Current assets				
Properties for sale	68,937	(6,448)	–	62,489
Debtors	11,170	–	–	11,170
Short term investments	6,405	–	–	6,405
Cash and cash equivalents	13,158	–	–	13,158
	99,670	**(6,448)**	**–**	**93,222**
Creditors: amounts falling due within one year	(31,491)	–	(828)	(32,319)
Net current assets/(liabilities)	**68,179**	**(6,448)**	**(828)**	**60,903**
Total assets less current liabilities	**1,397,709**	**–**	**(828)**	**1,396,881**
Creditors: amounts falling due after more than one year	(776,228)	–	828	(775,400)
Provisions for liabilities				
Net pension liability - SHPS	(5,161)	–	–	(5,161)
Net pension liability - LGPS	(1,929)	–	–	(1,929)
Other provisions	(222)	–	–	(222)
Total net assets	**614,169**		**–**	**614,169**
Reserves				
Non equity share capital	–	–	–	-
Income and expenditure reserve	509,788	–	–	509,788
Revaluation reserve	104,381	–	–	104,381
Total reserves	**614,169**			**614,169**

33. Prior Period Restatements (continued)

COMPANY STATEMENT OF FINANCIAL POSITION	2020 £'000	Reclassification of intercompany £'000	Restated 2020 £'000
Tangible fixed assets - housing properties	–	–	–
Other tangible fixed assets	–	–	–
Investment Properties	–	–	–
Investments - other	30	–	30
	30	**–**	**30**
Current assets			
Properties for sale	–	–	–
Debtors	3,948	3,217	7,165
Short term investments	–	–	–
Cash and cash equivalents	1,033	–	1,033
	4,981	**–**	**8,198**
Creditors: amounts falling due within one year	(7,311)	(3,217)	(10,528)
Net current assets/(liabilities)	**(2,330)**	**–**	**(2,330)**
Total assets less current liabilities	**(2,300)**	**–**	**(2,300)**
Creditors: amounts falling due after more than one year	–	–	–
Provisions for liabilities			
Net pension liability - SHPS	(5,161)	–	(5,161)
Net pension liability - LGPS	(1,929)	–	(1,929)
Other provisions	(222)	–	(222)
Total net assets	**(9,612)**	**–**	**(9,612)**
Reserves			
Non equity share capital	–	–	-
Income and expenditure reserve	(9,612)	–	(9,612)
Revaluation reserve	–	–	–
Total reserves	**(9,612)**	**–**	**(9,612)**

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