Financial Statements

2019/20

Our 15,000th home in Barrosa Way, Western Expansion, Milton Keynes

FINANCIAL STATEMENTS 2019/20

FOR THE YEAR ENDED 31 MARCH 2020

GROUP INFORMATION

CHAIR

Julian Ashby

OTHER BOARD MEMBERS

Matthew Bailes

Liz Bailey
(appointed 29 January 2020)

Mathew Bishop

Pat Brandum

John Cross

Eva Cullen

Philippa Lowe

Janet Ogundele
(term expired 31 August 2019)

Peter Quinn

Phil Shepley

John Simpson

SECRETARY

Ewan Wallace

SENIOR EXECUTIVES

Matthew Bailes
(Chief Executive)

Patrick Dawson
(Chief Information Officer)
appointed 1 October 2019

Nicola Ewen
(Executive Director of Finance)

Tracey Gray
(Executive Director of Operations)

Martyn Jones
(Executive Director of Development)

Justin McCarthy
(Managing Director of Property Services)

Sarah Nickson
(Executive Director of Strategy & Business Services) appointed 21 October 2019

Gary Robinson
(Executive Director of Corporate Services) resigned 31 March 2020

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

PRINCIPAL SOLICITORS

Devonshires LLP
30 Finsbury Circus
London
EC2M 7DT

PRINCIPAL BANKERS

Barclays Bank plc
London
E14 5HP

INDEPENDENT AUDITORS

RSM UK Audit LLP
Abbotsgate House
Bury St Edmunds
Suffolk
IP32 7FA

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 as shown in the outline Group structure.

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) formally Paradigm Commercial plc. On 28 November 2019, PCL reclassified its two previous ordinary £1 "A" shares as two ordinary £1 shares. It re-registered as a private limited company, and changed its name from Paradigm Commercial plc. On 4 December 2019, it completed a formal £5 million reduction of share capital and adopted new articles of association. PCL is now a non-profit, private limited company, with £2 ordinary share capital. PCL continues to develop homes for sale on the open market and manages properties for market rent.; and Mary Bailey-Smith Almshouses, a small charity with three properties in management.

CHAIR'S STATEMENT

As the Chair of Paradigm Housing Group I am pleased to introduce the financial statements for year ended 31 March 2020.

Our vision is to make the best use of our resources so we can provide new affordable homes and a fair deal for existing residents. This is the foundation for our decision making. Adopting this approach ensures that we adapt our business and take purposeful action in an environment that is often uncertain and subject to change.

This uncertainty was at its very highest level as we ended the year confronted by the coronavirus pandemic.

Paradigm has closely followed Government guidelines and has adopted three simple objectives in making our plans to cope with this crisis – to protect our residents, to protect our staff, and to protect the long-term capacity of the business. The Board and staff at Paradigm have acted swiftly and purposefully.

We had the technology and capability in our business for remote working, and we moved quickly to make that change with minimal disruption. We have maintained a core service for our residents, including repairs which keep homes safe for them, and as far as we can, to continue to let new homes. We are now working on our plans to reinstate our normal services when it is safe to do so. I would like to thank our staff for their continuing hard work and efforts in dealing with this challenge.

The effects of the pandemic on the economy remain unclear but they will be long lasting. We regularly update our financial forecasts and stress test our financial position to reflect the impact the changing environment has on our business plans. We are confident that Paradigm can continue to manage and adapt our business on a sustainable basis even under the most challenging scenarios which could develop.

Over the last 12 months we have:

> Welcomed our newly formed Resident Services Panel. They play an important role in examining and scrutinising customer facing areas of our service, and work with us in order to improve our services

> We contacted 3,700 vulnerable customers as part of our COVID-19 response to ensure they had the right levels of support and to help them access additional support if required

> Agreed in principle a substantial property swap with another registered housing provider. This will give us both a better geographic concentration of our stock and allow us to deliver services more efficiently and respond to the needs of our residents and stakeholders

> Approved significant investment in a transformation programme which includes improving the quality and efficiency of the services we provide to our customers by redesigning our processes and investing in our IT systems and infrastructure

> Invested £74.1m in new affordable homes, completing 399 new homes worth £101m

> Invested £25.8m in repairing and improving our existing homes, with a continued systematic focus on the health and safety of our residents

> We have generated an overall surplus for the year of £15.7m (2019: £25.1m), after impairment of £8.1m, based on a strong operating margin of 33.3% (2019: 36.8%), at the same time as absorbing the final year of the Government's requirement 1% rent reductions. The impairment of £8.1m is equivalent to 18.8% of operating surplus.

We have invested more in managing fire and other building safety risks during the year. We have also reviewed our development programme and asset base to take better account of fire safety related costs and economic uncertainty.

We remain committed to being one of the top performers in terms of numbers built for our size. We are reviewing the level of development and the tenure mix we should be aiming for in light of the current economic uncertainty.

This year we said goodbye to our Board member Janet Ogundele who had ended her term. I would like to take this opportunity to thank her on behalf of the Board for her contribution. I am pleased to welcome Liz Bailey to the Board who brings a wealth of experience in providing digital services.

We have an excellent executive team led by Matthew Bailes. On behalf of the Board, I would like to again express my gratitude to the staff group at Paradigm.

Their ability to adapt to a changing and challenging external environment, along with our strong financial position, means that we look ahead with confidence during these unprecedented times.

Julian Ashby
Chair

New residents and staff celebrating our 15,000th home

PERFORMANCE HIGHLIGHTS

399

Homes completed in the year

£15.7m

Surplus

33.3%

Operating margin

Customer satisfaction by general needs and shared owners

80% general needs

56% shared owners

14.1 days

Average standard relet time

£25.8m

Repairing and improving homes

Expenditure on works to existing properties

Compliance %

Gas

99.9%	Domestic
100%	Communal

Electrical

98.2%	Domestic
100%	Communal

Fire

100%	Communal

32,290 Repairs

204 Kitchens fitted

190 New bathrooms

REPORT OF THE BOARD AND STRATEGIC REPORT

WHO ARE WE?

- Paradigm Housing Group is one of the leading providers of affordable housing in the South East, managing over 15,000 homes for more than 37,000 people employing over 400 staff
- We are a financially stable not-for-profit organisation.

OUR PURPOSE

Paradigm exists to provide good quality homes for those who could not otherwise afford 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 VISION

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

OUR HOMES

During the year, the number of properties we own reached 15,215. The majority of our homes are at a lower rent to people who cannot afford a full market rent.

We also provide shared ownership properties, homes at market rent and accommodation for those requiring additional support as well as units for out-right sale on the private market.

We have 15,192 managed properties and an additional 23 properties that we own but which are managed by other management companies.

Table 1.
Report of Board and strategic report

	2020	2019	2018
Rented social housing	11,030	10,949	10,809
Supported housing	256	267	269
Low cost home ownership	2,367	2,164	2,023
Leaseholders	833	795	756
Market rent	286	260	249
Temporary housing	443	473	512
Total owned and managed	**15,215**	**14,908**	**14,618**

OUR VALUES

Acting Thoughtfully

We make ourselves aware of our customers' and colleagues' circumstances and consider this thoughtfully and respectfully when taking action so that they know we care.

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.

Driving Improvement

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

Safer Together

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

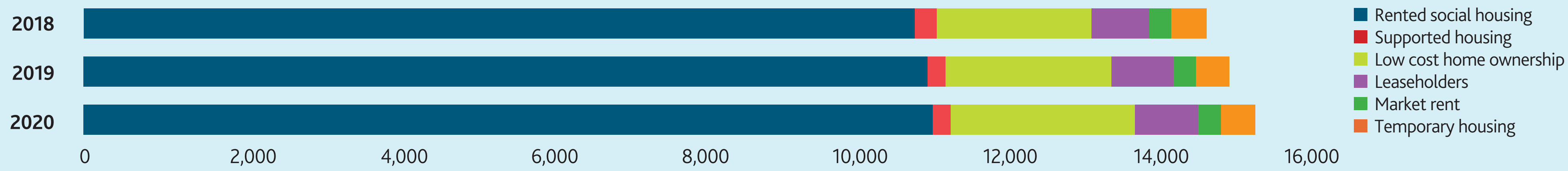
Working As One

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

WHERE DO WE OPERATE?

During the year the number of properties we own reached 15,215. We operate in 30 local authority areas in the Home Counties and North and West London.

PROPERTIES UNDER MANAGEMENT



STRATEGY OBJECTIVES AND PERFORMANCE

Our Corporate Plan 2018/21 outlined the priorities and targets which we have set as the means by which Paradigm will deliver its vision:

- To make the very best use of our resources
- So we can provide new affordable homes
- And a fair deal for existing residents.

COVID-19 will impact our ability to deliver our strategic objectives in the final year of our current corporate plan. Our over-riding priorities are to protect our residents, staff and long term capacity of the business. We have set out below how we have managed the impact of COVID-19 on our operations and financial position and the actions taken to minimise the risk to the business including adjusting targets where appropriate.

Our strategic priorities

We will:

- Keep our customers' homes safe, and our employees safe at work
- Run an excellent business, using commercial disciplines and continually strive to deliver efficiency improvements
- Deliver better value for money in building an average of at least 500 new homes each year
- Work closely with our strategic partners
- Manage our homes better through a robust Asset Management Strategy
- Make sure our customers have a voice to help us improve what we do
- Develop digital services which will be more convenient for customers
- Be an employer of choice, attracting, developing and retaining excellent staff.

Our plans and priorities are regularly reviewed and updated to reflect the opportunities and the risks in our operating environment, including:

- The greater focus and effort applied to ensuring the safety of our customers in their homes, by ensuring that testing and safety measures for fire and other hazards are effective
- High costs of homes and land in the areas where we work with consequent effects on affordability of homes to rent and buy for individuals, and the cost of developing new affordable homes
- The incomes of many of the households in housing that we serve 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 newly established Buckinghamshire unitary authority and the opportunities it creates for joint working
- The greater focus on the environmental impact of our homes and steps we can take to reduce the carbon footprint of Paradigm
- The greater focus on social distancing and hygiene protocols required to effectively tackle the current pandemic.

COVID-19 – OUR RESPONSE

COVID-19 has had a substantial impact on the external environment in which we operate and created additional economic uncertainty. At the time of writing, we are still responding to the current crisis and taking decisions to protect customers, staff and the business.

In mid-March, following government directives to limit the spread of the virus and to enforce social distancing, we closed our offices and moved to an emergency repairs and gas compliance only service for repairs. Due to Paradigm's investment in our IT infrastructure, the majority of housing and support staff have been able to work from home, offering additional contact services to support our vulnerable customers whilst maintaining social distancing.

To manage the risks to the business and in line with our business continuity planning we also set up strategic and operational response teams to ensure swift and agile decision making.
We also:

- Undertook additional stress testing of our long-term financial plan, including reforecasting our base 2020/21 budget. We also ran downside scenarios to identify the impact on liquidity over the next 18 months. All scenarios can be comfortably financed by existing funding arrangements
- Enhanced our financial standards in relation to our liquidity rules by ensuring we are able to hold more immediately available cash funds to meet the demands of the business
- Reviewed our development pipeline to minimise our sales exposure, including the option to change tenure of units

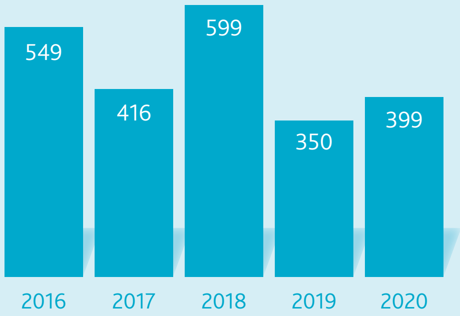
- being developed, in order to minimise the impact of the sudden decline in the property sales market
- Created additional weekly performance indicators to monitor the impact of COVID-19 on our core operations.

We continue to follow government guidance. We will reintroduce services and open offices only when it is safe to do so and will update our safety guidance where appropriate.

PRIMARY TARGETS

Top decile operating margin
Our underlying operating margin (before impairment and scheme defects) is above our target of 40% at 40.8%. We have incurred additional fire related works of £1.6m and impairments costs of £8.1m to some assets, which are equivalent to a reduction of 7.5% in operating margin at 33.3%. Excluding one off costs we have maintained our underlying performance despite the final year of the 1% rent cut. Our business plans for the remaining period of the corporate plan anticipated a higher level of investment in our business transformation programme which will reduce our operating margin in the short term. The purpose of the investment is to deliver a higher level of customer service and efficiency savings in the longer term.

PROPERTIES COMPLETED



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%
We have reduced this target to complete 600 units to 500 units in light of the economic uncertainty following the COVID-19 pandemic. In 2019/20 we completed 399 units against a budget of 364, plus the acquisition of 68 occupied properties in Oxford. At year end we had 1,308 properties in our development pipeline, against a target of 1,400. The shortfall is a result of the business reviewing the signing of new contracts given the uncertainty arising from both the availability of government funding in the form of grant and the additional economic uncertainty as a result of Brexit and COVID-19.

Contracts have been exchanged with another social housing provider for a significant exchange of tenanted social housing, shared ownership and ancillary properties during the year. We anticipate completing the transaction in the coming financial year after formal resident consultation has taken place. The swap will result in Paradigm divesting of stock in non-core operational areas while at the same time significantly increasing our presence in core boroughs such as Buckinghamshire and Hertfordshire. This will allow us to deliver operational efficiencies into the business and through increased scale in key areas, focus our growth in line with the ambitions set out in our five year development strategy.

Table 2. Customer satisfaction

Questions	General Needs		Homeowners	
	2019/20	2018/19	2019/20	2018/19
Repairs & Maintenance	**75%**	66%	**43%**	25%
Listens & Acts	**72%**	69%	**48%**	37%
Maintenance of Estates	**79%**	67%	**71%**	37%
Repairs & Maintenance of the Building	**77%**	59%	**62%**	27%
Cleanliness of the Building	**71%**	55%	**69%**	43%
Most Recent Contact	**76%**	75%	**58%**	39%

Higher customer satisfaction for tenants and for shared owners
We carried out a baseline survey of customer satisfaction during 2018 to provide us with a reliable understanding of what our customers think of our services. To enable us to keep track of whether we are improving or not, we undertook further customer satisfaction surveys from April 2019 through to beginning March 2020.

Overall levels of customer satisfaction for both General Needs and Homeowners have remained consistent with the previous year. There has been a significant increase in satisfaction for both General Needs and Homeowners in respect of repairs and maintenance, maintenance of estates (grounds and communal cleaning) and repairs and maintenance of the building. This reflects significant improvements in how we manage our contact with customers with regard to repairs and maintenance. We have also procured a new contract for cleaning of communal areas.

Homeowners also reported an improvement in satisfaction in respect of value for money from service charges and satisfaction with the most recent point of contact with Paradigm.

We continue to make improvements to the way we keep customers informed, knowing that improving our communication to customers remains key to higher satisfaction levels. We regularly ask customers for feedback on our services via surveys to ensure our customer insight work influences our transformation programme.

As part of our transformation programme, we have embarked on a significant review of our processes and systems to enable delivery of effective self-service options for our customers. We also established the Resident Services Panel in April 2019. The Panel has in the last year concentrated on the assessment of Paradigm's approach to consultation with residents and have influenced our approach with: winter repair period for emergency repairs, Domestic Violence policy, Rent Setting policy, Starter Tenancy and 5-year fixed Tenancy policy consultations. The Panel have supported Paradigm in the assessment of our compliance with the National Housing Federation Together with Tenants Charter, of which we are early adopters and continue to oversee our consultation approach in regards to the housing property swap.

Service improvements generated through customer services activity measured by reduced customer complaints
We have seen a 15% decrease in the number of complaints received this year 366 (2019: 429) and fewer upheld complaints 57% (2019:60%). We remain focused on ensuring we follow up on our promises, provide clear information about next steps and are more proactive with updates on progress around outstanding enquiries. We remain committed to making further improvements in this area through introducing new customer care commitments in 2020/21 and improved monitoring of outstanding customer contacts.

SUPPORTING TARGETS

Deliver procurement savings of at least 5% over the plan period on a like for like basis
We continue to make efficiency gains through better contract management across all areas of the business enabled by the activity of our Procurement team and the delivery of a clear procurement strategy. We have retendered a number of significant contracts which will enable us to realise annualised savings of £410k. In addition we have delivered approximately £200k of cost avoidance and refunds through the validation and management of our Utilities, Council Tax and Business Rate costs.

Reducing the cost per property (in real terms) of delivering our agreed responsive repairs standard and service over the plan period
Our responsive repairs cost per property was £650 (2019: £609*restated). Our overall repairs cost per property has increased due to additional expenditure on health and safety, particularly for fire, gas and electrical safety and testing, scheme defect costs and increased use of sub-contractors. We are committed to reducing our routine repairs costs. However our plan is to do this by improving the efficiency of our activities and not compromising the safety standards of our properties. One element of this is the implementation of a data driven Asset Management Strategy which will enable us to better understand and manage the drivers of our repairs costs.

*£737 due to revised method of calculation

Top quartile employee engagement
We participated in the Best Companies B-Heard survey in 2019 and achieved "One to Watch" status, reflecting "good" levels of employee engagement. We had a high level of participation in the survey (80% versus non-profit average of 69%). Key overall highlights included: employees feel the organisation is keen to help those from disadvantaged backgrounds, with some people feeling the organisation has a strong social conscience; staff feel the training they receive in their job is of great benefit to their personal development; people feel what is expected of them in their work is made clear; and there is also a strong sense that employees' managers support them as individuals.

We have used the feedback at post-survey workshops to plan improvements and to involve all employees in taking actions to further increase engagement levels. These actions include more consistent application and reinforcement of our values and in doing so, to help employees feel a greater connection to the organisation and feel more excited about where the organisation is heading. We are also placing more focus on employee wellbeing and have launched a programme that includes initiatives and positive reinforcement of strong physical health, mental health and personal growth.

Mobile or agile working available to all staff
In 2019/20 we continued our investment in the IT infrastructure, rolling out laptops to most of the staff who use a PC. We have deployed additional software to facilitate mobile and flexible working while maintaining security.

This investment has proved invaluable in the rapid change of work style brought on by COVID-19, with nearly all staff able to continue their work from home with minimal interruption to our ability to provide services and carry out essential functions.

Improved management of digital communication channels – improved customer and stakeholder satisfaction with digital communications
In 2019/20 the Board approved a significant transformation programme designed to improve the quality and efficiency of the services we provide to customers by redesigning our processes and investing in our IT infrastructure.

This investment has a particular focus on requirements to support mobile and flexible working and significantly higher levels of self-service functionality for customers. One of the recommendations from the transformation programme is to replace Frameworks, Paradigm's current housing management and finance systems with a commercial package.

This major transformation programme is expected to take 3 years to complete.

Stakeholder engagement – higher proportion of well managed relationships linked to better business outcomes for development and operations
During the year we completed a stakeholder survey, seeking the opinions of a range of partners in different sectors, but with a particular concern for the views of local authorities in the areas where we work. The ability for Paradigm to achieve our corporate objectives, and for other partners to achieve their goals for housing are mutually dependent. We have:

> established a simple framework within which we identify specific directors as the corporate lead in key local authority areas, developed a simple business intelligence solution to monitor our stock profile and performance information at local authority level, improved our stakeholder communications and engagement through specific measures suggested in the stakeholder survey, and are developing a more systematic approach, driven in part by the COVID-19 restrictions, to improve how we engage and work with a variety of partners including the new Buckinghamshire Council and a range of local and voluntary groups who provide essential support to our customers.

To deliver agreed operating margin targets at portfolio level
Operating margin targets have been set at portfolio level and are closely monitored throughout the year. We achieved 167 shared ownership first tranche sales against a target of 138, with a surplus of £5.3m (2019: £5.6m).

The activities of the Private Sector Leasing team delivered a surplus of £0.4m vs a target of £0.7m reflecting the current challenge in the temporary housing market.

Maintain tenant rent loss at less than 0.5% of the rent debit
Our underlying tenant rent loss is 1.5% (2019: 1.1% *restated). Based on our 4 week rolling arrears we have continued to sustain our performance on this measure at 2.6% (2019: 2.6%) against a target of 2.8%.

During the current pandemic, our four weekly rolling arrears indicator has increased to 3.3%. We have seen a small increase in direct debit cancellations and an increase in Universal Credit applications.

In mid-March, as a direct response to COVID-19 and in line with government directives, we amended our Rent Recovery Policy to reflect a three month cessation of possession claims, warrant applications and evictions. The three month period has now been extended for a further two months.

Homeless hostel Lea Bridge in Leyton

We also offered additional support to customers, regularly contacting them every two weeks and guiding them to Universal Credit and other relevant services whilst continuing with the collection of rent arrears.

We will continue to monitor the impact the current pandemic has on our operational arrears collection targets, offering our customers support whilst ensuring they maintain their tenancy in the longer term.

*restated from 0.28%

GROUP GOVERNANCE

The Amalgamated Board (which comprises the entity boards of PHG, PHCHA and PCL) is composed of ten non-executive members plus one executive with meetings taking place at least six times per year. Board members are drawn from a range of backgrounds.

Caleb Close, Luton

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 sub-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.

The Board members who served throughout 2019/20 and up to the date of this report are listed on page 1 and remuneration is set out on page 43. -Board member indemnity insurance is provided through the NHF and Howdens insurance schemes.

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.

Paradigm occasionally use task groups for the Board to oversee significant projects such as our stock swap chaired by a nominated member of the Board.

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 Governance, Nomination and Remuneration Committee. The Group complies with all areas of the code.

Customer involvement

We have published a Customer Insight and Involvement Strategy which sets out how we engage with our customers in order to improve our services.

We have also:

> Established a Resident Services Panel who oversee Paradigm's approach to resident consultations and review various policies.
The Panel has supported Paradigm in the assessment of our compliance with the National Housing Federation together with the Tenants Charter, of which we are early adopters, and continue to oversee our consultation approach in regards to the property swap.

> Retained and developed the work of our Resident Quality Inspectors.
The Resident Quality Inspectors undertake assessment checks on our estates and empty properties, providing

feedback which in turn has been used to make incremental changes to service delivery by the Estates and Housing Team and with outside contractors.

> Continued to develop the Readership Panel. The Readership Panel has this year worked on testing of Paradigm's customer online portal, the development of our Annual Report to Residents, and a review of various communications with our residents.

The Board is committed to ensuring that the customer views expressed through this engagement are embedded in the management and improvement of our homes and services.

Employees

The strength of the Group, its ability to meet our objectives and the delivery of commitments to our customers and stakeholders, depends on the quality of our staff and their contribution to our work. We use a competency and behaviours framework as a central element of our performance management at all levels of the business and incorporates our values into our workforce recruitment and development strategy.

We have embedded equality and diversity within our governance, our culture and our systems and processes, which, in respect of staff, include arrangements to eliminate discrimination and, as far as possible, to advance equality of opportunity, in the areas of remuneration, recruitment, staff development and training, progression and performance management.

Modern Slavery Statement

Paradigm is committed to understanding the 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. Paradigm's full statement on modern slavery, as required by the Modern Slavery Act 2015, is published on the Paradigm website.

AMALGAMATED BOARD

AUDIT AND RISK COMMITTEE

Overseeing Paradigm's risk management strategy; financial management; standards of probity; and internal and external audit.

Members:

Philippa Lowe
Chair

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
Non-executive members

GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

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

Members:

Pat Brandum
Chair

Julian Ashby,
Pat Brandum,
Eva Cullen
Non-executive members

TREASURY COMMITTEE

Responsible for reviewing Treasury Management Policy and detail of treasury documents such as loan agreements or side letters to existing agreements.

Meets on an ad hoc basis.

Members:

John Simpson
Chair

Julian Ashby,
John Cross
Non-executive members

FOUNDATION COMMITTEE

The strategic objectives of the Foundation Committee are to make grants to further defined charitable purposes within the geographical areas in which Paradigm operates.

Members:

Pat Brandum
Chair

John Simpson
Non-executive members

Patricia Buckland
Tim Yates
Independent members

Ewan Wallace - staff member

PROJECT ASSESSMENT GROUP

Delegated authority to approve smaller development projects and monitors the development portfolio.

MANAGEMENT TEAM

VALUE FOR MONEY (VFM)

For Paradigm, VFM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes and services that meet housing needs. Value therefore means the number of homes, the appropriateness of those homes to meet local requirements, the quality of the homes and the quality of the services we provide.

VFM is embedded across the governance and operational structures. Budgets and targets are set with VFM efficiency measures.

We monitor the sector scorecard metrics as well as operational performance metrics 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 the right.

We also monitor the level of customer satisfaction year on year and are pleased to report that whilst overall levels of customer satisfaction for both General Needs and Home owners have remained consistent we have improved in key service areas such as repairs and estate services.

We have increased the number of homes we manage from 14,908 to 15,215 in the year. In addition, we have exchanged contracts with another provider to swap some of the homes we own outside our main operating footprint for homes in our core strategic area to increase the overall number of our homes and provide a greater concentration of homes enhancing operational efficiency. It is expected that the stock swap will complete in 2020/21 financial year.

Our overall corporate plan target for delivery of new homes is now 500 homes per year reduced from 600 units pre COVID-19. We created additional capacity in our development team to deliver more units, however the nature of development means the lead time for delivery of homes takes time. The focus for the newly enhanced team has been to increase the number of homes under contract for delivery thus ensuring a robust pipeline of new homes into the future. We expected delivery of less homes in the period than last year due to the long lead time of our development pipeline.

We achieved first tranche shared ownership sales of 167 versus target 138, delivering an operating surplus of £5.3m versus target of £4.1m. Our outright sales of 22 units was below our target of 30 units achieving an operating surplus of £0.7m against target £1.9m. Individual property sales were generally at a higher margin than anticipated. Overall we therefore met the sales targets set for the year. 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.

Performance measure	Target	2020	2019	Peer Group Median 2019
Operating margin (overall)	>40% Turnover	33.3%	36.8%	31.26%
Operating margin (social housing lettings)	>46% Turnover	44.1%	47%	37.28%
Headline social housing cost per unit	£3,253	£4,027	£3,146	£3,434
Interest cover (EBITDA-MRI)	170%	156.6%	162.8%	180.57%
Gearing	<55%	55.2%	53.9%	52.77%
New supply delivered – social housing	2.8%	1.78%	3.40%	2.46%
New supply delivered – non-social housing	0.7%	1.13%	-	0.02%
Return on Capital Employed	4.2%	3.33%	4.01%	4.14%
Reinvestment	4.0%	4.33%	3.94%	7.2%

We took the decision to write down the value of six of our schemes to the value of £8.1m which has impacted on our operating margin performance. In addition, investment in additional health and safety measures such as waking watch and other fire related costs of £1.6m have reduced our operating surplus to £43.0m (2019: £47.9m). Our operating surplus excluding impairment and health and safety costs is £52.7m, 40.8%. These one-off costs have impacted the majority of our VFM operational targets in the year, however our core business performance remains strong. The safety of our residents is of paramount importance and as such the costs were unavoidable. We continue to monitor and challenge these costs working with our partners with a view to implementing satisfactory measures going forwards.

In addition, we have reviewed underlying performance before impairment to ensure we are continuing to focus on our delivery targets in relation to VFM and developing action plans where required.

Our operating margin (social housing lettings) and therefore our social housing cost per unit has been impacted by an increase in the overall repairs cost per property due to additional expenditure on health and safety, particularly for fire, gas and electrical safety and testing, scheme defect costs and increased use of sub-contractors. We are committed to reducing our routine repairs costs by improving the efficiency of our activities and not compromising the safety standards of our properties. We are working to reduce our reliance on sub-contractors in specialist technical areas by recruiting suitably qualified operatives. In addition, we are working towards the implementation of our data driven Asset Management Strategy which will enable us to better understand and manage the drivers of our repairs costs and thus how to improve our efficiency going forwards.

Social housing cost, including impairment, per unit is above our target of £3,253, at £4,027. Excluding impairment, the cost per unit falls to £3,916 still above our target, but below the median for our peers. The Board approved transformation programme aims to remove inefficiency from our processes and deliver enhanced value and satisfaction levels.

Our management cost per unit has reduced to £525 (2019: £536) against a target of £575, reflecting our ambition to provide efficient management of our properties. We will continue to monitor and challenge these costs going forwards.

Our interest cover of 156.6% (2019: 162.9%) against a target 170% reflects one off impairment costs of £8.1m, lower margin from sales and increased repair costs, together with less grant being taken to income. We continue to monitor the property market and take suitable action to mitigate risk to the business including changing tenure of units in development.

Whilst our gearing, 55.2% (2019: 53.9%) against a target <55% is higher than our non LSVT peers and reflects our origins as a stock transfer organisation, the increase is a reflection of net debt increasing by £29.8m to fund future development demonstrating that we are maximising the use of our assets to raise funds to deliver more homes.

Our long term plan shows that our investment in our business transformation programme will impact our operating margin in the short term. However the investment is necessary to improve our customer experience and reduce our cost per unit as we grow.

A FINANCIALLY SOUND ORGANISATION

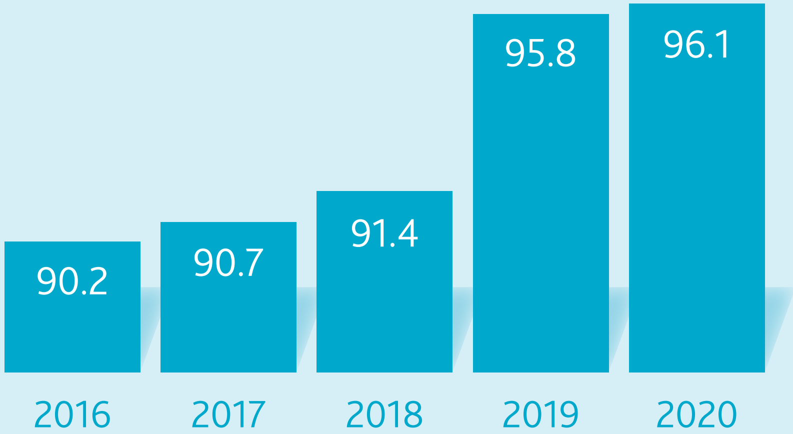
The Board is pleased to report a surplus for the year of £15.7m (2019: £25.1m) after spending £25.8m (2019: £17.7m) to maintain our existing housing stock together with a further £6.3m (2019: £4.9m) on investment works so that we continue to provide high quality homes for our residents. The increase in maintenance costs reflects higher spend on fire safety works and waking watch at two schemes.

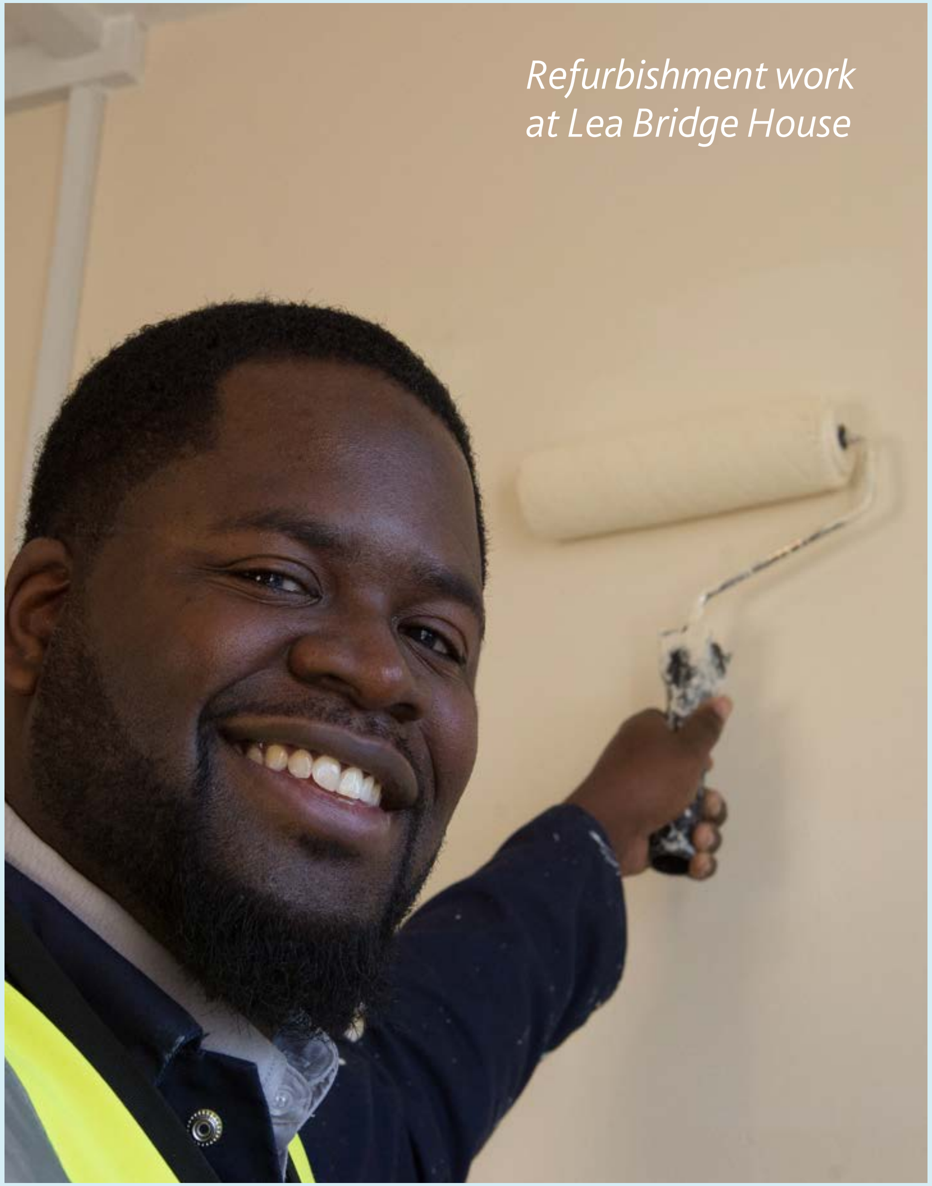
We have recognised impairment in total across our assets and development pipeline of £8.1m due to a combination of provision for additional works which will not lead to increased assets values and reduced land value.

The development for sale programme, principally shared ownership, has a significant impact on the overall surplus. The volume of first tranche shared ownership and outright sales has reduced from last year, and we have also experienced a slight decline in margin, 27% in 2019 to 24% in 2020. The sales team provide weekly updates for management team and we are well-placed to react quickly and positively should there be an increase in sales risk.

The surplus for the year meant that we increased our total net assets to £614.2m with housing properties increasing by £24.0m.

TURNOVER £'m - EXC SALES





Refurbishment work at Lea Bridge House

GROUP HIGHLIGHTS, FIVE YEAR SUMMARY

GROUP STATEMENT OF COMPREHENSIVE INCOME	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Turnover	129.2	130.1	123.9	136.7	115.3
Turnover before housing sales	96.1	95.8	91.4	90.7	90.2
Income from lettings	91.7	91.5	87.8	86.7	85.2
Property depreciation	9.3	9.3	11.1	10.9	7.5
Operating surplus before housing sales	32.6	38.1	43.1	44.5	39.2
Operating surplus from social housing lettings	40.4	43.0	42.5	43.5	39.4
Operating surplus	43.0	47.9	54.0	55.7	45.3
Surplus for the financial year	15.7	25.1	25.6	33.8	21.1
GROUP STATEMENT OF FINANCIAL POSITION					
Housing properties	1,296.1	1,272.0	1,239.9	1,201.1	1,182.0
Net current assets	68.3	39.2	52.5	100.3	41.2
Indebtedness	715.1	685.2	692.4	682.6	694.0
Total reserves	614.2	591.9	572.6	546.4	512.8
STATISTICS	**%**	**%**	**%**	**%**	**%**
Operating margin	33.3	36.8	43.6	40.8	39.3
Operating margin excluding sales	34.0	39.8	47.2	49.0	43.4
Surplus as % of turnover	12.1	19.3	20.7	24.7	18.3
Operating margin social housing lettings	44.1	47.0	48.5	50.2	46.3
Rent losses	1.5	1.1	1.1	1.1	1.5
Gearing	55.2	53.9	56.5	56.9	58.7
EBITDA - MRI interest cover	156.6	162.8	172.5	194.8	147.0
EBITDA - MRI as a % of turnover	39.8	42.0	50.4	44.3	38.6
Surplus from social housing lettings over interest paid	123.2	129.2	116.0	134.5	116.5
ACCOMMODATION OWNED AND MANAGED	**units**	**units**	**units**	**units**	**units**
Total social and supported rented	11,627	11,689	11,590	11,441	11,383
Total low cost home ownership	2,367	2,164	2,023	1,893	1,829
Total leasehold and market rent	1,221	1,055	1,005	897	879
Total housing	**15,215**	**14,908**	**14,618**	**14,231**	**14,091**

CAPITAL STRUCTURE AND TREASURY POLICY

Paradigm's capital structure is founded on long-term bank borrowings, spread across five main lenders, together with capital market bond issues. At 31 March 2020 the breakdown of borrowings was as set out below:

Funding at 31 March 2020

	Arranged £m	Drawn £m	Undrawn £m
Bank loans	642.1	468.3	173.8
Bond issues	166.6	166.6	–
Private placement	100.0	100.0	–
Total funding	908.7	734.9	173.8

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

Borrowing facilities are at both fixed and floating rates of interest in order to manage exposure to interest rate fluctuations. Fixed rates of interest range from 1.939% to 7.00%. Floating rates are no more than 0.45% above the London Interbank Offered Rate (LIBOR). The Group has no free-standing derivatives or swaps.

The Board approves the treasury policy and 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	93%	65%	95%
Floating rate	7%	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. We have reviewed our budgets and long-term plan and determined that we currently have sufficient liquidity to cover over 46 months.

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

At the year-end the Group's drawn borrowings of £734.9m (2019: £697.8m) were repayable as follows:

MATURITY PROFILE	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Within one year	5.5	5.2	3.3	6.1	4.1
Between one and two years	5.8	5.5	11.7	4.5	6.0
Between two and five years	35.3	39.0	39.2	41.6	14.2
After five years	688.3	648.1	649.2	698.8	681.0
Total borrowings	**734.9**	**697.8**	**703.4**	**751.0**	**705.3**

Cash inflows and outflows are shown in the Group cash flow statement on page 33. The Group's net increase in cash during the period was £2.0m (2019: decrease £0.03m).

New borrowing

In April 2018 additional funding was secured through a Private Placement with Barings arranged by Santander. The agreement is for two tranches: the first £60m drawn in April 2018 and the second £40m drawn in April 2019.

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
Health and Safety	The health and safety of our residents, 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.
COVID-19	COVID-19 has had a substantial impact on the external environment in which we operate and created additional economic uncertainty, thereby creating additional risk to the business and its operations.	We took immediate measures to ensure the welfare of our staff, residents and contractors and implemented a programme of monitoring the impact of COVID-19 across the business. We set up strategic and operational response teams to ensure swift and agile decision making. In addition we: > Undertook additional stress testing of our long-term financial plan > Reforecast our 2020/21 budget > Enhanced our financial standards in relation to our liquidity rules > Reviewed our development pipeline to minimise sales exposure > Created additional operational weekly performance monitoring. We continue to monitor both the operational and economic impact of the pandemic and ensure our business plans are regularly updated.
Risk of Impairment	The carrying value of housing property assets including our land bank could exceed the value in use leading to impairment recognition in the financial statements.	We have undertaken an impairment review in year end 2019/20 reflecting the impact of COVID-19 on our property sales income, development program and market in general.

Construction industry capacity and operating costs	The current economic climate has had "the biggest negative impact on construction industry capacity and operating costs, affecting the sector's development activities" according to a Savills report in June 2019. This, together with 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 Development Committee, and reported to Board.
Property swap with other social housing provider	We must ensure sufficient and accurate due diligence is undertaken and to avoid Paradigm taking on additional liabilities or compromising their current position and a failure to prepare sufficiently for integration of the portfolio.	The Group continues to progress negotiations. Whilst COVID-19 has led to a delay in exchange, both parties continue with due diligence work. The project has additional governance scrutiny via a Board sub-committee.
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 large part 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.
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.

Internal controls assurance

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

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

- formal policies and procedures are in place, including the documentation of key systems and clearly defined management responsibilities for the identification and control of significant risks
- financial forecasts, budgets and business plans are prepared to support the Board and management as they monitor key business risks, financial objectives and progress towards financial objectives set for the year and the medium term
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board
- a comprehensive approach to treasury management has been adopted and this approach is reviewed by the Board at least once a year, with covenant compliance reviewed 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 whilst it cannot delegate this responsibility, it has delegated authority to an Audit and Risk Committee to regularly review the effectiveness of internal controls.

A fraud register is maintained and is reviewed by the Audit and Risk Committee at each meeting. There were no 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 are appointed as internal auditors. 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 (2019: £65k).

Going concern

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

We have considered the impact that COVID-19 has on our cashflows, 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.

After reviewing the Group's 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.

Statement of responsibilities of the Board for the report and financial statements

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

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

> select suitable accounting policies and apply them consistently
> make judgements and accounting estimates that are reasonable and prudent
> prepare financial statements on the going concern basis unless it is inappropriate to presume the company and Group will continue in business
> state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers: Housing SORP 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 Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of making this report each of the Group's directors, as set out on page 1, confirms that in so far as each director is aware:

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

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

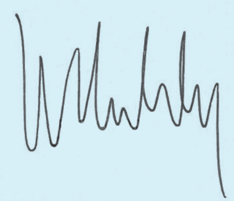
Statement of compliance

The Group has undertaken an assessment of compliance with the governance and financial viability standard as required by the Accounting Direction 2019. The Group can confirm that no evidence of non-compliance has been identified since the last report. In preparing the strategic report the Board has followed the principles set out in the Statement of Recommended Practice for Registered Social Landlords (SORP 2018).

Annual general meeting

The annual general meeting will be held on 16 September 2020.

The report of the Board was approved by the Board on 8 July 2020 and signed on its behalf by:



Julian Ashby
Chair

Financial statements

Caleb Close Luton development of 224 brand new homes for rent, shared ownership or sale

Opinion

We have audited the financial statements of Paradigm Housing Group Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the consolidated and Company statements of comprehensive income, the consolidated and Company statements of changes in reserves, the consolidated and Company statements of financial position, the consolidated and Company statements 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

> give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2020 and of the income and expenditure of the Group and the income and expenditure of the Company for the year then ended;

> have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

> have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

> the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

> the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

> a satisfactory system of control over transactions has not been maintained; or

> the Company has not kept proper accounting records; or

- the financial statements are not in agreement with the books of account of the Company; or
- 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's responsibilities statement set out on page 24, 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 determines 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 is responsible for assessing the Group's 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 intends 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Laragh Jeanroy.

Use of our report

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

RSM UK Audit LLP

RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

10 August 2020

GROUP AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Turnover	2	129,172	130,136	25,283	23,318
Operating costs	2	(86,184)	(82,195)	(24,890)	(23,785)
Operating surplus	2	**42,988**	**47,941**	**393**	**(467)**
Gain on disposal of fixed assets (non-operational)	4	-	5,915	-	-
Interest receivable	7	569	275	-	-
Interest payable and financing costs	8	(28,355)	(29,319)	(448)	(349)
Movement in fair value of investments	13,14	448	338	-	-
Surplus/(deficit) before tax		**15,650**	**25,150**	**(55)**	**(816)**
Taxation/(deficit) for the year	10	5	(3)	-	-
Surplus for the year		**15,655**	**25,147**	**(55)**	**(816)**
Actuarial gain in respect of LGPS pension scheme	23	598	542	598	542
Initial recognition of multi-employer defined benefit scheme	23	-	(3,851)	-	(3,851)
Actuarial gain/(loss) in respect of SHPS pension scheme	23	6,030	(2,567)	6,030	(2,567)
Total comprehensive income for the year		**22,283**	**19,271**	**6,573**	**(6,692)**

The Group and Company results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 8 July 2020 and signed on their behalf by:

Julian Ashby
Chair

Matthew Bailes
Board member

Ewan Wallace
Secretary

GROUP STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total reserves £'000
Balance as at 1 April 2018	**467,956**	**104,659**	**-**	**572,615**
Surplus for the year	25,147	-	-	25,147
Other comprehensive income for the year:				
Actuarial gain in respect of LGPS pension scheme	542	-	-	542
Initial recognition of multi-employer defined benefit pension scheme	(3,851)	-	-	(3,851)
Actuarial loss in respect of SHPS pension scheme	(2,567)	-	-	(2,567)
Transfer from revaluation reserve to income and expenditure reserve	(100)	100	-	-
Balance as at 31 March 2019	**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
Initial recognition of multi-employer defined benefit pension scheme	-	-	-	-
Actuarial gain 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**

COMPANY STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £'000
Balance as at 1 April 2018	**(9,493)**
Deficit for the year	(816)
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	542
Initial recognition of multi-employer defined benefit pension scheme	(3,851)
Actuarial loss in respect of SHPS pension scheme	(2,567)
Balance as at 31 March 2019	**(16,185)**
Deficit for the year	(55)
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	598
Initial recognition of multi-employer defined benefit scheme	-
Actuarial gain in respect of SHPS pension scheme	6,030
Balance as at 31 March 2020	**(9,612)**

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Fixed assets					
Tangible fixed assets - housing properties	11	1,296,058	1,272,034	-	-
Other tangible fixed assets	12	11,181	10,438	-	-
Investment Properties	13	11,340	11,340	-	-
Investments - other	14	10,951	10,490	30	30
		1,329,530	**1,304,302**	**30**	**30**
Current assets					
Properties for sale	15	68,936	50,886	-	-
Debtors	16	11,169	7,031	3,948	2,082
Short term investments	17	6,405	1,416	-	-
Cash and cash equivalents		13,158	11,158	1,033	452
		99,668	**70,491**	**4,981**	**2,534**
Creditors: amounts falling due within one year	18	(31,490)	(31,262)	(7,311)	(4,561)
Net current assets/(liabilities)		**68,178**	**39,229**	**(2,330)**	**(2,027)**
Total assets less current liabilities		**1,397,708**	**1,343,531**	**(2,300)**	**(1,997)**
Creditors: amounts falling due after more than one year	19	(776,228)	(737,457)	-	-
Provisions for liabilities					
Net pension liability - SHPS	23	(5,161)	(11,618)	(5,161)	(11,618)
Net pension liability - LGPS	23	(1,929)	(2,413)	(1,929)	(2,413)
Other provisions		(222)	(157)	(222)	(157)
Total net assets/(liabilities)		**614,169**	**591,886**	**(9,612)**	**(16,185)**
Reserves					
Non equity share capital	25	-	-	-	-
Income and expenditure reserve		509,788	487,127	(9,612)	(16,185)
Revaluation reserve		104,381	104,759	-	-
Total reserves		**614,169**	**591,886**	**(9,612)**	**(16,185)**

The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 8 July 2020 and were signed on their behalf by:

Julian Ashby
Chair

Matthew Bailes
Board member

Ewan Wallace
Secretary

GROUP STATEMENT OF CASH FLOWS	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Net cash generated from/(used by) operating activities	27	**46,603**	**67,477**	**1,059**	**(703)**
Cash flow from investing activities					
Purchase of fixed assets - housing properties		(56,059)	(50,124)	-	-
Purchase of other tangible fixed assets		(1,757)	(235)	-	-
Proceeds from sales of housing properties		7,709	12,242	-	-
Purchase/proceeds of fixed asset investments		51	9	(30)	(30)
Grants received		2,657	5,509	-	-
Interest received		569	275	-	-
		(46,830)	**(32,324)**	**(30)**	**(30)**
Cash flow from financing activities					
Interest paid		(28,355)	(29,319)	(448)	(349)
New secured loans		42,000	60,000	-	-
Repayment of borrowings		(5,490)	(65,541)	-	-
Short term deposits		(4,989)	(306)	-	-
Grants repaid		(938)	(21)	-	-
		2,228	**(35,187)**	**(448)**	**(349)**
Net change in cash and cash equivalents		**2,001**	**(34)**	**581**	**(1,082)**
Cash and cash equivalents at the beginning of the year		11,158	11,192	452	1,534
Cash and cash equivalents at the end of the year		**13,159**	**11,158**	**1,033**	**452**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The financial statements of the Group and Company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (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.

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

Going concern

As noted in the Board Report on page 24 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 plans.

We have considered the impact that COVID-19 has on our cashflows, 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:

- COVID-19 - page 9
- Development - page 10
- Sales - page 17

Significant management judgements

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

Classification of financial instruments
In considering the appropriate classification of financial instruments as 'basic' or 'non-basic' the Board has reviewed the definitions given in FRS102 clause 11 (d). When assessing the 'basic' nature of financial instruments, clause 11.9(b) refers to principal and current/prior interest. Under our agreements, breakage costs are payable in respect of future interest payments, so the Board does not consider these should be taken into account when assessing whether instruments are 'basic' or 'other'.

In addition, clause 11.9(c) states that contractual terms which require the issuer to compensate the holder on early termination do not breach the 'basic' test. Whilst there is no specific mention of compensation from the holder back to the issuer, the Board does not consider silence to be grounds on which financial instruments should be classed as 'other'.

Estimates

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

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

Defined benefit obligation

Management's estimate of the defined benefit obligations (in both Local Government Pension Scheme and

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

Valuation of investment properties
Investment properties are included at market value. 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 2020 using acquisition accounting. Details of subsidiaries are shown in note 32.

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 management 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; or

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

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

Pension costs

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

For 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.

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.

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 (CGU's) 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. Grant is disclosed as a contingent liability in note 11.

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. Where such assets are disposed of any related revaluation surplus is transferred to the revenue reserve.

Operating leases

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

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of 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

GROUP – CONTINUING ACTIVITIES	2020 Turnover £'000	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	-	-	(7,609)	(7,609)
- First tranche shared ownership sales	19,560	(13,584)	-	5,976
- Existing sales	7,709	(4,093)	-	3,616
- Other support services	13	-	-	13
- Office equipment, other rental and licence fees	143	-	(991)	(848)
	27,800	**(17,677)**	**(8,816)**	**1,307**
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**
Total	**129,172**	**(22,780)**	**(63,404)**	**42,988**

Development costs includes £5.5m in respect of an impairment charge (see note 11).

GROUP – CONTINUING ACTIVITIES	2019 Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**91,471**	**-**	**(48,452)**	**43,019**
Other social housing activities				
- Supporting People contract income	119	-	(144)	(25)
- Corporate services	290	-	(850)	(560)
- Development costs	-	-	(5,736)	(5,736)
- First tranche shared ownership sales	31,674	(22,280)	-	9,394
- Other support services	13	-	-	13
- Office equipment, other rental and licence fees	172	-	(670)	(498)
	32,268	**(22,280)**	**(7,400)**	**2,588**
Non-social housing activities:				
- outright property sales	2,704	(2,303)	-	401
- lettings	3,693	-	(1,760)	1,933
	6,397	**(2,303)**	**(1,760)**	**2,334**
Total	**130,136**	**(24,583)**	**(57,612)**	**47,941**

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

COMPANY – CONTINUING ACTIVITIES	2019 Turnover £'000	Operating costs £'000	Operating surplus £'000
Other social housing activities	23,318	(23,785)	(467)
	23,318	**(23,785)**	**(467)**

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	2020 Total £'000	2019 Total £'000
Income:						
Rent receivable net of identifiable service charges	68,246	322	4,696	9,128	82,392	82,022
Service income	3,604	167	–	1,341	5,112	5,223
Fee income	–	–	2,471	–	2,471	1,834
Rechargeable works	–	–	–	–	-	1,127
Amortised government grants	218	–	–	–	218	210
Revenue grants	1,491	–	–	–	1,491	1,055
Turnover from social housing lettings	**73,559**	**489**	**7,167**	**10,469**	**91,684**	**91,471**
Operating costs:						
Management	4,526	645	968	1,258	7,397	7,428
Services	4,214	92	–	1,568	5,874	4,739
Routine maintenance	11,755	–	133	–	11,888	9,565
Planned maintenance	8,539	–	178	–	8,717	8,165
Bad debts	682	–	8	–	690	2,631
Property lease charges	13	–	5,682	–	5,695	5,592
Depreciation	9,293	50	–	–	9,343	9,251
Other costs	1,528	–	107	–	1,635	1,081
Operating costs of social housing lettings	**40,550**	**787**	**7,076**	**2,826**	**51,239**	**48,452**
Operating surplus from social housing lettings	**33,009**	**(298)**	**91**	**7,643**	**40,445**	**43,019**
Void losses	**425**	**5**	**162**	**–**	**592**	**562**

3. Accommodation in management and development

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

	Group 2020 Number of properties	Group 2019 Number of properties (restated)
Social housing		
General needs housing – social and intermediate rent	8,740	8,734
General needs housing – affordable rent	2,277	2,215
Supported housing and housing for older people	256	267
Low cost home ownership	2,367	2,164
Temporary social housing	55	48
Total owned	**13,695**	**13,428**
Temporary social housing – short leasehold	388	333
Accommodation managed for others	13	92
Total owned and managed	**14,096**	**13,853**
Non-social housing		
Market rented properties	286	260
Leasehold properties	833	795
Total owned and managed	**15,215**	**14,908**
Development programme at 31 March 2020:		
General needs housing	762	494
Low cost home ownership	623	731
Outright sales	28	121
Total development programme	**1,413**	**1,346**
New homes under construction included in the development programme	**1,308**	**687**

4. Surplus on sale of fixed assets

	Housing properties 2020 £'000	Housing properties 2019 £'000
Proceeds	-	12,242
Transfer to Recycled Capital Grant Fund	-	(537)
Net book value of properties sold	-	(5,730)
Other costs	-	(60)
	-	**5,915**

*SORP 2018, sales on fixed assets are now being recognised as an operating item.

5. Employees

AVERAGE MONTHLY NUMBER OF EMPLOYEES EXPRESSED AS FULL-TIME EQUIVALENTS	Group and Company 2020 Number	Group and Company 2019 Number
Administration	96	114
Development	30	26
Housing and support	138	104
Maintenance	171	163
	435	**407**

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 2020 £'000	Group and Company 2019 £'000
Wages and salaries	18,240	17,296
Social security costs	1,739	1,498
Pension costs	1,122	940
	21,101	**19,734**

The staff numbers and costs above exclude non-executive members of the Board (note 6). Pension costs relate to participation in the Local Government Pension Scheme (LGPS), in the Social Housing Pension Scheme (SHPS) or in defined contributions stakeholder arrangements. Further information on LGPS and SHPS is given in note 23.

THE FULL-TIME EQUIVALENT NUMBER OF STAFF INCLUDING DIRECTORS WHO RECEIVED EMOLUMENTS	Group and Company 2020 Number	2019 Number
£60,000 to £70,000	16	6
£70,001 to £80,000	8	7
£80,001 to £90,000	5	5
£90,001 to £100,000	1	2
£100,001 to £110,000	4	–
£110,001 to £120,000	1	–
£120,001 to £130,000	1	–
£130,001 to £140,000	–	2
£140,001 to £150,000	3	–
£150,001 to £160,000	1	1
£170,001 to £180,000	1	1
£180,001 to £190,000	–	1
£190,001 to £200,000	1	–

6. Key management personnel remuneration

Key management personnel	Group and Company 2020 £	2019 £
Board	92,740	99,699
Executive management team	1,085,828	916,545
The aggregate remuneration for key management personnel, which includes the executive directors and other members of senior management charged in the year	**1,178,568**	**1,016,244**

Highest paid director:

Remuneration payable to the highest paid director

	2020	2019
Wages, salaries and benefits in kind	173,989	166,154
Pensions	17,774	17,391
	191,763	**183,545**

Chief Executive pension contributions:

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

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 2020 £	2019 £
Executive director	191,763	183,545
Non-executive directors	92,740	99,699
Aggregate emoluments payable to directors including pension contributions and benefits in kind	**284,503**	**283,244**

FEES PAYABLE TO NON-EXECUTIVE MEMBERS	Group and Company 2020 £	2019 £
Janet Ogundele	4,703	10,500
Richard Archer	4,300	8,340
John Cross	10,500	10,500
Mathew Bishop	8,000	8,000
Patricia Brandum	10,500	10,083
Phil Shepley	8,000	8,000
John Simpson	10,500	10,500
Julian Ashby	16,000	16,000
Peter Quinn	8,000	6,554
Philippa Lowe	10,500	4,375
Liz Bailey	1,421	–
Timothy Yates	158	–
Patricia Buckland	158	–
Frederick Coupe	–	3,423
Susan Belk	–	3,424
	92,740	**99,699**

7. Interest receivable and other income

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable from short term deposits and long term investments	569	275	–	–
	569	**275**	**–**	**–**

8. Interest payable and similar charges

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Pension interest expense:				
Defined Benefit Scheme - LGPS (note 23)	55	69	55	69
Defined Benefit Scheme - SHPS (note 23)	264	239	264	239
	319	**308**	**319**	**308**
On bank loans, overdrafts and other loans:				
Interest paid to group companies	–	–	129	41
Interest paid on loans due within five years	–	–	–	–
Interest paid on loans due in more than five years	32,508	33,287	–	–
	32,508	**33,287**	**129**	**41**
Interest payable capitalised on properties in the course of construction	(4,472)	(4,276)	–	–
Total	**28,355**	**29,319**	**448**	**349**
Capitalisation rate used to determine the finance costs capitalised during the period	5.0%	4.4%		

9. Operating surplus

The operating surplus is arrived at after charging:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Depreciation of housing properties	9,300	9,332	–	–
Impairment of housing properties	8,098	–	–	–
Impairment of properties for sale	–	2,750	–	–
Depreciation of other owned fixed assets	1,014	727	–	–
Operating lease rentals				
- land and buildings	5,695	5,592	–	–
- office equipment and computers	–	–	–	–
Auditors' remuneration (excluding VAT)				
- Fees payable to the Company's auditors for the audit of the financial statements	58	57	–	4
- Audit of the financial statements of the Company's subsidiaries pursuant to legislation	10	9	–	–
Total audit services	**68**	**66**	**–**	**4**
- All other services	-	3	–	–
Total non-audit services	**-**	**3**	**–**	**–**

10. Taxation

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'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)	3		
Tax on surplus on ordinary activities	**(5)**	**3**		

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Surplus/(Deficit) on ordinary activities before tax	15,650	25,150	(56)	(816)
Surplus on charitable activities	(14,171)	(23,568)	–	–
Surplus/(deficit) from non-charitable activities	**1,479**	**1,582**	**(56)**	**(816)**
Tax on surplus/(deficit) on ordinary activities at standard corporation tax rate of 19% (2019: 19%)	2,973	301	(11)	(155)
Effects of:				
Expenses not deductible for tax	4	3	–	–
Income not taxable for tax purposes	(2,692)	(29)	–	–
Amounts (charged)/credited directly to equity or otherwise transferred	1,259	–	1,259	–
Adjustments in respect of prior year – corporation tax	–	(288)	–	–
Adjust closing deferred tax to average rate	–	(188)	–	(188)
Adjust opening deferred tax to average rate	(314)	195	(314)	195
Exempt profits adjustments	–	–	–	–
Group relief	–	–	–	139
Deferred tax not recognised	(934)	9	(934)	9
Other movements	(301)	–	–	–
Total current tax charge	**(5)**	**3**	**–**	**–**

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17% from 19% starting 1 April 2020 has been cancelled and the cancellation was substantively enacted in March 2020 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.

11. Tangible fixed assets – Housing Properties – Group

	Housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2019	1,190,580	17,258	152,614	53,846	1,414,298
Additions	–	22,896	–	44,887	67,783
Property improvements	6,329	–	–	–	6,329
Transfers to completed schemes	14,607	(14,607)	25,542	(25,542)	–
Transfers to current assets	–	–	(12,141)	(7,198)	(19,339)
Disposals	(4,961)	–	(13,644)	–	(18,605)
Interest capitalised	–	1,401	–	3,071	4,472
At 31 March 2020	**1,206,555**	**26,948**	**152,371**	**69,064**	**1,454,938**
Less Depreciation and Impairment					
At 1 April 2019	139,514	–	–	2,750	142,264
Charge for the year	9,300	–	–	–	9,300
Impairment	3,100	4,998	–	–	8,098
Eliminated in respect of disposals	(782)	–	–	–	(782)
At 31 March 2020	**151,132**	**4,998**	**–**	**2,750**	**158,880**
Net book value at 31 March 2020	**1,055,423**	**21,950**	**152,371**	**66,314**	**1,296,058**
Net book value at 31 March 2019	**1,051,066**	**17,258**	**152,614**	**51,096**	**1,272,034**

The impairment relates to £5m of land cost held in work in progress. The remaining £3.1m is applied to fixed assets.

	2020 £'000	2019 £'000
Freehold land and buildings	1,176,696	1,146,683
Long leasehold land and buildings	117,463	123,725
Short leasehold land and buildings	1,899	1,626
	1,296,058	**1,272,034**

EXPENDITURE ON WORKS TO EXISTING PROPERTIES	2020 £'000	2019 £'000
Components capitalised	6,329	5,114
Component disposals	(1,096)	(180)
Amounts capitalised	**5,233**	**4,934**
Amounts charged to income and expenditure	20,605	17,730
	25,838	**22,664**

SOCIAL HOUSING ASSISTANCE	2020 £'000	2019 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Held as deferred income (note 22)	36,736	33,717
Recognised in the Statement of Comprehensive Income	310,919	313,176
Total government grant	**347,655**	**346,893**

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.

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:	2020 £'000	2019 £'000
Historical cost	1,350,557	1,309,539
Less: depreciation and impairment	(158,880)	(142,264)
Historical cost net book value	**1,191,677**	**1,167,275**
Revaluation reserve	104,381	104,759
Net book value at 31 March	**1,296,058**	**1,272,034**

12. Tangible fixed assets – other – Group

	Freehold office properties £'000	Leasehold office improvements £'000	Photo-voltaic panels £'000	Equipment, fixtures and vehicles £'000	Total £'000
Cost					
At 1 April 2019	12,321	1,609	1,027	1,977	16,934
Additions	–	–	–	1,757	1,757
Disposals	–	–	–	–	–
At 31 March 2020	**12,321**	**1,609**	**1,027**	**3,734**	**18,691**
Less depreciation and impairment					
At 1 April 2019	3,973	851	287	1,385	6,496
Charge for the year	411	52	42	509	1,014
Eliminated in respect of disposals	–	–	–	–	–
At 31 March 2020	**4,384**	**903**	**329**	**1,894**	**7,510**
Net book value at 31 March 2020	**7,937**	**706**	**698**	**1,840**	**11,181**
Net book value at 31 March 2019	**8,348**	**758**	**740**	**592**	**10,438**

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

VALUATION	2020 £'000	2019 £'000
At 1 April	11,340	11,174
Additions	–	31
Disposals	–	(17)
Increase in value	–	152
At 31 March	**11,340**	**11,340**
Number of properties in ownership	**61**	**61**

The Group's investment properties were valued at 31 March 2020 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 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the ''Red Book'.

The Group has incurred an impairment charge of £8.1m in year, reflecting potential risk to property sales income, development program, investment properties and overall property market.

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

14. Investments

	Group		Company	
LONG TERM INVESTMENTS	2020 £'000	2019 £'000	2020 £'000	2019 £'000
The Housing Finance Corporation Ltd	6,826	6,373	–	–
Haven Bond issues security deposit	730	712	–	–
AHF Bond	3,365	3,375	–	–
MOR Homes	30	30	30	30
Valuation at 31 March	**10,951**	**10,490**	**30**	**30**
Cost at 31 March	**8,210**	**8,063**	**30**	**30**

	Group		Company	
MOVEMENT OF LONG TERM INVESTMENTS	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	10,490	10,299	–	–
Additions/(Withdrawals)	(51)	(23)	–	–
Interest	41	28	–	–
Movements in Fair Value	471	186	–	–
Valuation at 31 March	**10,951**	**10,490**	**–**	**–**

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.

15. Properties for sale

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Properties under construction	24,157	50,886	–	–
Completed properties	44,779	–	–	–
At 31 March	**68,936**	**50,886**	**–**	**–**

During the year interest costs directly attributable to the financing of properties for sale were capitalised at the rate of interest (5.0%).

16. Debtors

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Rent and service charges receivable	3,570	3,847	–	–
Less bad debt provision	(1,108)	(1,607)	–	–
	2,462	**2,240**	**–**	**–**
Social Housing Grant receivable	25	25	–	–
Prepayments and accrued income	4,156	2,843	202	725
Amount owed by group undertakings	–	–	–	12
Other debtors	4,526	1,923	3,746	1,345
At 31 March	**11,169**	**7,031**	**3,948**	**2,082**

17. Short term investments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
95 day notice deposit	5,137	–	–	–
32 day notice deposit and leaseholder sinking funds	1,268	1,416	–	–
At 31 March	**6,405**	**1,416**	**–**	**–**

18. Creditors: Amounts falling due within one year

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade creditors	5,250	1,529	685	1,543
Loans repayable in less than one year	5,491	5,190	–	–
Amounts owed to Group undertakings	–	–	5,135	1,422
Rent and service charges in advance	2,795	3,576	–	–
Corporation tax	–	3	–	–
Disposals Proceeds Fund	–	414	–	–
Recycled Capital Grant Fund	–	3,369	–	–
Other taxation and social security payable	397	550	433	586
Deferred capital grant (note 22)	60	211	–	–
Other creditors	23	2,752	–	–
Accruals and deferred income	17,474	13,668	1,058	1,010
At 31 March	**31,490**	**31,262**	**7,311**	**4,561**

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

	Group	
	2020 £'000	2019 £'000
Bank loans	729,139	692,608
Net premiums on bond issues	7,038	7,262
Other loans	–	370
Deferred income	266	285
Recycled capital grant fund (note 20)	3,109	3,425
Disposal proceeds fund (note 21)	–	–
Deferred capital grant (note 22)	36,676	33,507
At 31 March	**776,228**	**737,457**

Bank loans

Of the £729,139k (2019: £692,608k) bank loans due after more than one year and drawn down at 31 March 2020, £678,383k (2019: £644,180k) was fixed with interest rates varying from 1.939% to 7.00%. The balance of £50,755k (2019 £53,618k) 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 Association's properties and are repayable as follows:

	Group	
	2020 £'000	2019 £'000
One year or more but less than two years	5,774	5,470
Two years or more but less than five years	46,211	39,015
Five years or more	677,154	648,123
At 31 March	**729,139**	**692,608**

Included in housing loans above are unamortised arrangement fees of £271k (2019: £292k). These fees are being amortised over the period of the loans which range from 6 years to 16 years.

Other loans

Represents deferred land acquisition costs of £370k.

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.

20. Recycled capital grant fund

		Group - HE		Group - GLA	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April		3,658	3,645	3,136	2,826
Adjustment to opening balance		(346)	–	439	–
Inputs to fund:	- Grants recycled	163	363	45	294
	- Interest accrued	24	18	25	16
Recycling of grant:	- Purchase and development of property	(1,769)	(368)	(2,266)	–
At 31 March		**1,730**	**3,658**	**1,379**	**3,136**

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(2019: £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.

21. Disposal proceeds fund

		Group - HE	
		2020 £'000	2019 £'000
At 1 April		414	1,415
Inputs to fund:	- Interest accrued	2	6
Use/allocation of funds:	- New build	65	(942)
	- Major repairs and works to existing stock	(481)	(65)
At 31 March		**–**	**414**

Disposal Proceeds Fund comprises the net proceeds from sales of housing properties to tenants under voluntary and statutory purchase grant schemes. Withdrawals from the Disposal Proceeds Fund were used for acquisition of dwellings for letting. No amount is due for repayment to HE (2019: nil). De-regulatory measures contained in the Housing and Planning Act 2016 (HPA) removed the requirement for proceeds of new disposals to be identified in the DPF. It also contained provisions for existing balances to be wound down over the period up to 6 April 2020 and all requirements around DPF have ceased.

22. Deferred capital grant

GOVERNMENT GRANT	Group 2020 Completed schemes £'000	 2020 Under construction £'000	Group 2019 Completed schemes £'000	 2019 Under construction £'000
At 1 April	24,526	9,191	23,945	4,616
Grant received in the year	–	2,657	–	5,509
Grant repaid in the year	–	3,097	(21)	–
Transfer to completed schemes	833	(833)	933	(933)
Transfer to recycled capital grant fund	(48)	(2,471)	(122)	–
	25,311	**11,641**	**24,735**	**9,192**
Grant amortised	(216)	–	(209)	–
At 31 March	**25,095**	**11,641**	**24,526**	**9,192**
Amounts to be released within one year	60	–	211	–
Amounts to be released in more than one year	25,035	11,641	24,315	9,192
	25,095	**11,641**	**24,526**	**9,192**

23. Pension obligations

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

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 multi-employer 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.

For financial years ending on or before 28 February 2019, it was not possible for the Company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore previously the Company had accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it has been possible to obtain sufficient information to enable the Company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation were rolled forward to the relevant accounting dates, and used in conjunction with the Company's fair share of the Scheme's total assets to calculate the Company's net deficit or surplus at the accounting period start and end dates.

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 1.25%p.a. for males and 1.00%p.a. for females.

The assumed life expectancy from age 65 are:

	At 31 March 2020
Retiring today	**Years**
Males	21.5
Females	23.5
Retiring in 20 years	
Males	22.9
Females	24.5

Financial Assumptions

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

	At 31 March	
	2020	2019
Discount rate	2.35%	2.34%
Inflation (RPI)	2.56%	3.26%
Inflation (CPI)	1.56%	2.26%
Salary growth	2.56%	3.26%
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 2020.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT LIABILITY	2020 £'000	2019 £'000
Fair value of plan assets	33,776	31,564
Present value of defined benefit obligation	(38,937)	(43,182)
Defined benefit liability to be recognised	**(5,161)**	**(11,618)**

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME	2020 £'000	2019 £'000
Current service cost	860	660
Expenses	31	28
Operating costs subtotal	**891**	**688**
Net interest expense	264	239
Finance costs subtotal	**264**	**239**
Total expense	**1,155**	**927**

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% to the liabilities

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION	2020 £'000	2019 £'000
Defined benefit obligation at start of period	43,182	39,086
Current service cost	860	660
Expenses	31	28
Interest expense	1,017	1,015
Contributions by plan participants	128	140
Actuarial gain/(loss) due to scheme experience	236	(158)
Actuarial gain/(loss) due to changes in demographic assumptions	(378)	117
Actuarial gain/(loss) due to changes in financial assumptions	(5,497)	3,176
Benefits paid and expenses	(642)	(822)
Defined benefit obligation at end of period	**38,937**	**43,182**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS	2020 £'000	2019 £'000
Fair value of plan assets at start of period	31,564	29,520
Interest income	753	776
Experience on plan assets (excluding amounts included in interest income)	391	568
Contributions by the employer	1,582	1,442
Contributions by plan participants	128	140
Benefits paid and expenses	(642)	(882)
Fair value of plan assets at end of period	**33,776**	**31,564**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,344,000.

REMEASUREMENTS IN OTHER COMPREHENSIVE INCOME	2020 £'000	2019 £'000
Experience on plan assets (excluding amounts included in interest income)	391	568
Actuarial gain/(loss) due to scheme experience	(236)	158
Actuarial gain/(loss) due to changes in demographic assumptions	378	(117)
Actuarial gain/(loss) to changes in financial assumptions	5,497	(3,176)
Actuarial gain/(loss) in respect of SHPS pension scheme	**6,030**	**(2,567)**

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME	2020 £'000	2019 £'000
Current service cost	860	660
Expenses	31	28
Net interest expense	264	239
Defined benefit costs recognised in statement of comprehensive income	**1,155**	**927**

Retirement benefits – Buckinghamshire County Council Pension Fund

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

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 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 (2019: £69k) covering an average of 7 employees (2019: 7 employees) at a contribution rate of 17% (2019: 17%) of pensionable salaries. The Group estimates that the contribution to be paid to the fund during the accounting period commencing 1 April 2020 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 1.25% 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 2019. 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 1.25% 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 56.

The assumed life expectancy from age 65 are:

	At 31 March		
	2020	2019	2018
Retiring today	Years	Years	Years
Males	21.8	22.9	24.0
Females	25.1	24.8	26.1
Retiring in 20 years			
Males	23.2	24.6	26.2
Females	26.5	26.6	28.4

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; and

> 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		
	2020	2019	2018
Salary increases	2.95%	3.95%	3.85%
Pension increases	1.95%	2.45%	2.35%
Discount rate	2.35%	2.35%	2.50%

These assumptions are set with reference to market conditions at 31 March 2020.

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

An estimate of the Group's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows 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 cashflows, discounted at this single rate, equates to the net present value of the cashflows, 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 cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, 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.

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 0.85% p.a. below RPI i.e. 1.95% 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 movement in the market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

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 2019	2020 £'000	2019 £'000	2018 £'000
Present value of funded obligation	(11,576)	(12,594)	(12,877)
Fair value of scheme assets (bid value)	9,881	10,424	10,313
Net liability	**(1,695)**	**(2,170)**	**(2,564)**
Present value of unfunded obligation	(234)	(243)	(266)
Net defined benefit liability	**(1,929)**	**(2,413)**	**(2,830)**

ANALYSIS OF AMOUNT CHARGED IN THE INCOME AND EXPENDITURE ACCOUNT	2020 £'000	2019 £'000
Service Cost	121	116
Administration expense	10	9
Operating costs subtotal	**131**	**125**
Net interest on the defined liability	55	69
Finance costs subtotal	55	69
Total expense	**186**	**194**

Sensitivity analysis

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

ADJUSTMENT TO THE DISCOUNT RATE:	+0.10%	0.00%	-0.10%
Present value of total obligation (£',000)	11,639	11,810	11,984
Projected service cost (£',000)	99	101	103
ADJUSTMENT TO LONG TERM SALARY INCREASE:	**+0.10%**	**0.00%**	**-0.10%**
Present value of total obligation (£',000)	11,823	11,810	11,798
Projected service cost (£',000)	101	101	101
ADJUSTMENT TO PENSION INCREASES AND DEFERRED REVALUATION:	**+0.10%**	**0.00%**	**-0.10%**
Present value of total obligation (£',000)	11,972	11,810	11,651
Projected service cost (£',000)	103	101	99
ADJUSTMENT TO LIFE EXPECTANCY ASSUMPTIONS:	**+1 year**	**none**	**-1 year**
Present value of total obligation (£',000)	12,568	11,810	11,103
Projected service cost (£',000)	104	101	98

CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION:	2020 £'000	2019 £'000
Opening balance defined benefit obligation	12,837	13,143
Current service cost	121	116
Interest cost	295	322
Change in financial assumptions	(957)	446
Change in demographic assumptions	(110)	(712)
Estimated benefits paid net of transfers in	(494)	(479)
Contributions by scheme participants	22	21
Unfunded pension payments	(21)	(20)
Closing defined benefit obligation	**11,693**	**12,837**

CHANGES IN VALUE OF SCHEME ASSETS:	2020 £'000	2019 £'000
Opening fair value of scheme assets	10,424	10,313
Interest on assets	240	253
Return on assets less interest	(624)	276
Other actuarial gain	272	–
Administrative expenses	(10)	(9)
Contributions by employer including unfunded	72	69
Contribution by scheme participants	22	21
Estimated benefits paid including unfunded benefits	(515)	(499)
Closing fair value of scheme assets	**9,881**	**10,424**

The total return on the fund assets for the year to 31 March 2020 is (£384,000) (2019: £529,000).

REMEASUREMENTS IN OTHER COMPREHENSIVE INCOME	2020 £'000	2019 £'000
Return on fund assets in excess of interest	(624)	276
Other actuarial gains on assets	272	–
Change in financial assumptions	957	(446)
Change in demographic assumptions	110	712
Experience (loss) on defined benefit obligation	(117)	–
Remeasurement of the defined liability and scheme assets	**598**	**542**

Contributions to other pension schemes

The Group did not make any contributions to other pension schemes in the year (2019: £nil).

24. 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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Difference between accumulated depreciation and amortisation and capital allowances	8	8	8	8
Pension schemes deficits	1,347	2,385	1,347	2,385
Losses	384	280	384	280
Deferred tax asset	**1,739**	**2,673**	**1,739**	**2,673**

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

25. Non-equity share capital

	Company	
	2020 £	2019 £
Allotted, issued and fully paid		
At 1 April	11	10
Issued during the year	1	2
Surrendered during the year	(1)	(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.

26. Net debt

	At 1 April 2019 £'000	Cashflows £'000	Reclassification of debt £'000	At 31 March 2020 £'000
Cash and cash equivalents				
Cash	16,321	5,161	–	21,482
Overdrafts	(5,163)	(3,159)	–	(8,323)
Cash equivalents	–	–	–	–
	11,158	**2,002**	**0**	**13,159**
Borrowings				
Debt due within one year	5,190	(5,210)	5,510	5,490
Debt due after one year	699,870	42,000	(5,693)	736,177
	705,060	**36,790**	**(183)**	**741,667**
Total	**693,902**	**34,788**	**(183)**	**728,508**

27. Net cash generated from operations

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Surplus/(deficit) for the year	**15,655**	**25,147**	**(55)**	**(816)**
Adjustments for non-cash items:				
Depreciation of housing properties	9,300	9,332	–	–
Impairment of housing properties	8,098	2,750	–	–
Depreciation of other fixed assets	1,014	727	–	–
Fair value gains on investments	(448)	(338)	–	–
Decrease/(increase) in properties for sale	(14,589)	3,759	–	–
(Increase)/decrease in debtors	(4,137)	3,561	(1,867)	(870)
(Decrease)/increase in creditors	5,364	1,201	2,667	1,024
(Decrease)/increase in other provisions	–	–	–	–
Component write offs	1,096	180	–	–
Grants recycled	(1,769)	(368)	–	–
Amortisation of grants	(216)	(209)	–	–
Grants released	(416)	(1,007)	–	–
Pension costs less contributions payable	(134)	(390)	(134)	(390)
Adjustments for non-operating items:				
Gain on disposal of housing properties	–	(5,915)		
Interest receivable	(569)	(275)	–	–
Interest payable	28,355	29,319	448	349
Taxation	(1)	3	–	–
Disposal of subsidiary	–	–	–	–
Net cash generated from/(used by) operations	**46,603**	**67,477**	**1,059**	**(703)**

28. 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.

Operating leases expiring:	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Within one year	3,957	3,719	3	–
Between one and five years	2,794	2,491	907	1,350
At 31 March	**6,751**	**6,210**	**910**	**1,350**

29. Capital commitments

	Group		Company	
	2020 £'000	Restated 2019 £'000	2020 £'000	2019 £'000
Capital expenditure contracted for but not provided in the financial statements	103,380	52,125	–	–
Capital expenditure that has been authorised by the Board but not contracted for	96,922	119,612	–	–
At 31 March	**200,302**	**171,737**	**–**	**–**

The above commitments will be financed primarily through borrowings of £173.8m (2019: £182.0m) which are available for draw-down under existing loan arrangements (note 30), with the balance of £41.6m (2019: £53.3m) partly funded through short term investments of £6.4m (2019: £1.4m), Social Housing Grant and income from property sales.

30. Borrowing facilities

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

	Group	
	2020 £'000	2019 £'000
Expiring in less than one year	6,548	6,187
Expiring in more than one year but not more than two years	6,952	6,548
Expiring in more than two years	160,313	169,265
	173,813	**182,000**

31. Contingent assets and liabilities

The Group and Company had no contingent assets or liabilities at 31 March 2020 (2019: £nil) other than the government grant recognised in the statement of comprehensive income in the current and prior years as disclosed in note 11.

32. 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.

On 28 November 2019, PCL reclassified its two previous ordinary £1 "A" shares as two ordinary £1 shares. It re-registered as a private limited company, and changed its name from Paradigm Commercial plc. On 4 December 2019, it completed a formal £5 million reduction of share capital and adopted new articles of association. PCL is now a non-profit, private limited company, with £2 ordinary share capital.

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	2020 £'000	2019 £'000
Paradigm Commercial Limited	Accommodation units	120	30
Paradigm Development Services Limited	Payroll costs	2,661	1,342
Paradigm Maintenance Limited	Headcount	13,516	11,229
		16,297	**12,601**

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

	2020 £'000	2019 £'000
Paradigm Commercial Limited	1,776	–
Paradigm Development Services Limited	(2,691)	(909)
Paradigm Maintenance Limited	–	12

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%.

33. Related undertakings

Paradigm Foundation was incorporated on 17 July 2013 and is a registered charity. On 3 April 2020 the Paradigm Foundation completed a Deed of Gift in favour of PHCHA. Under this Deed, and in accordance with its articles of association, the Foundation has transferred all its residual assets on winding-up to PHCHA, to be used for PHCHA's charitable purposes. All decision making is the responsibility of a board of three trustees, of whom two, Jane Harrison (resigned 30 June 2019) and Ewan Wallace, are employees of Paradigm. Paradigm did not control the composition of the board of Trustees of the Foundation but was the Foundation's principal donor.

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

	2020 £'000	2019 £'000
Donations paid by Paradigm Housing Group	–	350
Donations paid by Welwyn Hatfield Foyer	–	48
Charitable Trust	–	–
Monies received from Paradigm Foundation (principally grant funding to Small Steps at the Foyer)	–	–
Total during the year	**–**	**398**

34. 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.

35. Post balance sheet events

The impact of COVID-19 in 2020/21 is uncertain. We continue to closely monitor property values, the sales market and customer arrears in order to mitigate risk to the business. We consider that these are non-adjusting events.

HEAD OFFICE

1 Glory Park Avenue
Wooburn Green
Buckinghamshire
HP10 ODF

Telephone: 0300 303 1010
Fax: 0300 303 8041

paradigmhousing.co.uk @ParadigmHousing theparadigmgroup paradigm-housing-group

Paradigm Housing Group : Reg. No. 28844R