Annual Report and Financial Statements 2021/22

Paradigm

Our Vision

We provide excellent services to customers

and build new homes to help more people.

We make sure our homes are safe and sustainable

and strive to do more by making the most of our resources.

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GROUP INFORMATION

BOARD MEMBERS AND SENIOR STAFF

Chair

Julian Ashby

Other Board Members

Matthew Bailes

Liz Bailey

Mathew Bishop

Pat Brandum

John Cross

Eva Cullen

Philippa Lowe

Peter Quinn

Richard Osborne
(appointed 14 September 2021)

Phil Shepley
(resigned 31 August 2021)

John Simpson

Eleanor Southwood
(appointed 14 September 2021

Company Secretary

Ewan Wallace

Senior Executives

Matthew Bailes
(Chief Executive)

Patrick Dawson
(Chief Information Officer)

Nicola Ewen
(Executive Director of Finance)

Martyn Jones
(Executive Director of Development)

Hannah Manyewu
(Executive Director – Customer, appointed 4 July 2021)

Justin McCarthy
(Executive Director of Property Services)

Sarah Nickson
(Executive Director of Strategy & Business Services)

CORPORATE INFORMATION

Registered Office

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

Registrations

Registered society number: 28844R
Registered provider number: L4215

Regulated by

The Regulator of Social Housing

Independent Auditors

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

Principal Solicitors

Devonshires LLP
30 Finsbury Circus
London
EC2M 7DT

Principal Bankers

Barclays Bank plc
Level 27 1 Churchill Place
London
E14 5HP

GROUP STRUCTURE

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

> Paradigm Housing Group Limited (PHG)

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

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

Paradigm Maintenance Limited (PML) is a wholly owned subsidiary of PHG, was previously the principal maintenance provider to the Group. PML ceased trading on 28 February 2022 and all maintenance operations were transferred to PHCHA on that date. PML became dormant on 1 April 2022

PHCHA has one subsidiary: Paradigm Commercial Limited, (PCL).

PHCHA is also the sole trustee to Mary Bailey-Smith Almshouses, a small charity with three properties in management.

PARADIGM HOUSING GROUP LIMITED

PARADIGM MAINTENANCE LIMITED

(dormant from 1 April 2022)

PARADIGM HOMES CHARITABLE HOUSING ASSOCIATION LIMITED

PARADIGM DEVELOPMENT SERVICES LIMITED

PARADIGM COMMERCIAL LIMITED

Chair's Report

We continue to operate in challenging and unprecedented times. The lasting effects of the pandemic, the ongoing impact of Brexit and the war in Ukraine continue to disrupt the economy and the lives and livelihoods of our tenants, homeowners, employees and partners. Despite this we continue to keep our work going, supporting more people in the challenges that face them personally and deliver our wider mission to meet the housing needs of people in the places where we work.

We have been particularly mindful of our customers' financial vulnerability as the cost of living continues to rise. We have diverted resources to supporting vulnerable customers and to further developing partnerships with support agencies to ensure that all customers can access the help and support they need in these difficult times.

We have also retained our momentum and our focus on the long-term sustainability of Paradigm's business despite working under COVID-19 restrictions for a significant proportion of the year.

During the year:

> we grew by 551 homes in the year via new delivery and stock acquisition
> we increased our homes in management to over 16,000
> we let over 550 homes
> we managed our business to deliver an operating surplus of £50m, and an operating margin of 43%.

We launched our Corporate Strategy in April 2021 alongside our Development and Asset Management strategies. This year we have published our supporting strategies for customer and sustainability which expand on how we will deliver our corporate plan ambitions and set targets in each area in more detail.

Of particular focus has been our newly launched service principles, customer care standards and the enhanced support for our vulnerable customers, all of which are designed to support our customers in these challenging economic times as well as provide clarity as to how we will engage with our customers and our commitment to improving our services.

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

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

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

In line with our growth aspirations we acquired 326 homes within our core operating area from another Registered Provider. We have increased the number of homes where we intend to focus our strategic efforts to develop more new homes and improve our customer services.

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

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

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

We are also part way through our major transformation programme. Our customer satisfaction improved in 2021 but reduced in 2022 similar to many of our peers. We therefore have more to do and we have set targets for the next five years to do better still. Through this transformation programme we will redesign how we deliver services to our customers for the long-term. It will give us the tools to provide excellent customer services, provide us with the basis on which to offer them better ways to access services including through better digital options, and to equip us with the capacity and capability to ensure our housing services, including repairs and estate services are reliable, efficient and enable us to keep our customers safe in their homes.

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

Julian Ashby Chair

Coleman Court, Marlow

STRATEGIC REPORT

PERFORMANCE HIGHLIGHTS

Serving our customers

Customer satisfaction

General needs	80%
Shared owners	55%
Repairs satisfaction	73%
Customers surveyed	1,790

New customers

Satisfaction with new homes	93%
Standard relet time	21 days
Homes let to new customers	550

General needs
80%
Customer satisfaction

Repairing and improving homes
£28.6m

Safe and sustainable homes

Repairing and improving homes	£28.6m
Number of repairs	34,190
Kitchens fitted	362
Bathrooms replaced	171
Windows and doors replaced	347
Boilers replaced	301
Average SAP rating	72.76
Number of homes at EPC C or above	69.20%
Gas compliance – domestic	99.97%
Gas compliance – communal	100%
Electrical compliance – domestic	82%
Electrical compliance – communal	100%
FRA Compliance – communal	100%

Homes and growth

Homes owned and managed	16,022
Number of homes added to our portfolio	551
Affordable homes completed	225
Shared ownership	127
Rented	98
Shared ownership homes sold	127
Shared owners converted to full ownership	63

Homes owned and managed
16,022

Turnover
£117m

Resources

Turnover	£117m
Operating surplus	£50m
Operating margin	43%
Available liquidity	£250m
Credit rating (May 2022)	A+ (outlook stable)
Regulator rating (July 2022)	G1/V1

WHO ARE WE?

Paradigm Housing Group is one of the leading providers of affordable housing in the South East, managing 16,022 homes for more than 38,300 people, employing over 500 staff. We are a financially stable not-for-profit organisation, that reinvests all profits into building more new homes and supporting local communities. We have grown over 35 years to become one of the largest social housing providers in the counties of Buckinghamshire, Hertfordshire and Bedfordshire.

OUR PURPOSE

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

OUR PRINCIPAL ACTIVITIES ARE:

> providing affordable housing for rent

> delivering low-cost home ownership (mainly shared ownership)

> offering temporary or permanent housing solutions to address homelessness issues

> providing hostel accommodation for single and young people.

OUR VISION

Our Vision

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and build new homes to help more people.

We make sure our homes are safe and sustainable

and strive to do more by making the most of our resources.

OUR VALUES

Acting Thoughtfully

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

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.

OUR HOMES

During the year the number of homes we own and manage exceeded 16,000, including an increase of 326 homes following the successful completion of a stock acquisition in March 2022. The majority of our homes are let at rents lower than full market to people who cannot afford to rent on the open market. We also provide shared ownership properties, homes at market rent, accommodation for those requiring additional support and homes for outright sale on the private market.

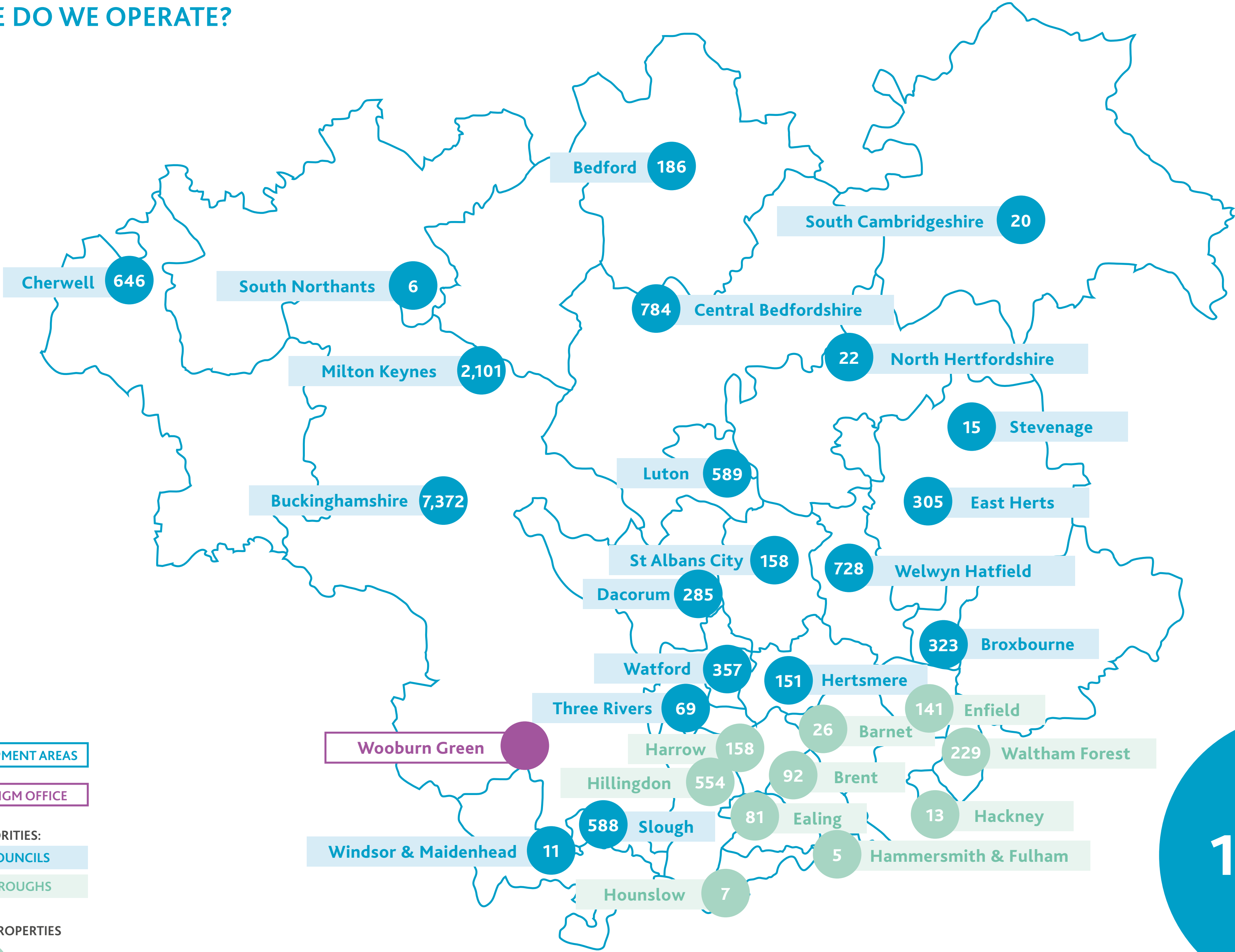
In the year we developed 225 new homes, including 127 for shared ownership and 98 affordable rented homes for general needs.

We have 15,999 managed properties and 23 that we own but do not manage.

	2022	2021	2020
Rented social housing	11,780	11,389	11,030
Supported housing	163	174	256
Low cost home ownership	2,648	2,575	2,367
Leaseholders	789	772	833
Market rent	315	315	286
Temporary housing	327	425	443
Total owned and managed	**16,022**	**15,650**	**15,215**

	2022	2021	2020
Properties managed but not owned	271	375	393
Properties owned and managed	15,728	15,252	14,799
Properties owned and not managed	23	23	23
Total homes owned and/or managed	**16,022**	**15,650**	**15,215**

WHERE DO WE OPERATE?



TOTAL 16,022 HOMES

KEY

KEY DEVELOPMENT AREAS

MAIN PARADIGM OFFICE

LOCAL AUTHORITIES:

REGIONAL COUNCILS

LONDON BOROUGHS

NUMBER OF PROPERTIES

STRATEGY, OBJECTIVES AND PERFORMANCE

Our Corporate Plan sets out ambitious and challenging objectives for the five years to 2026. This is the first full year of the plan and there are supporting strategies for Development, Asset Management, Customer and Environmental Sustainability for the same period. Our performance against our strategic priorities and targets can be found below.

Our immediate priority is to always make sure that we provide safe homes and excellent services to our customers. The need for new homes has never been greater, and we will continue to build affordable homes, working in new partnerships to help us achieve our targets. The Corporate Plan also marks the first time we have made a clear commitment to become a sustainable, net zero carbon business.

Our services were delivered against the backdrop of COVID-19 restrictions and the staged removal of these. This has affected our business performance in a number of ways in all areas of our work. We were forced to find innovative ways of continuing to deliver our vision and strategic objectives, all the while keeping the safety of our customers, staff and the long-term capacity of our business at the forefront of decision making.

We have maintained our position as a financially robust organisation with substantial liquidity, covenant headroom, unencumbered assets and strong margins.

CORPORATE PLAN 2021-2026 PROGRESS

Our objectives are to deliver an excellent service to customers and to improve customer satisfaction in doing so.

The Corporate Plan sets out the commitments necessary to achieve this which are to engage purposefully with our customers by listening to and acting on their views and to apply this to the redesign of our services, making them more convenient to access and delivered to a reliable, high standard.

The Customer Strategy details the programme of work to achieve these objectives, and substantial changes have already been made.

Our service to customers

Our priority has been to review the service we provide to customers and to establish a clear model for service provision that will deliver excellent services for our customers, and also to provide the basis on which we design and specify our business transformation programme and the IT systems that will support it.

We have completed a systematic review of our service offer and, in consultation with our residents, established principles and standards for the service that we will provide. We have also substantially completed a review and reorganisation of the roles and management structure that we need to deliver the new Neighbourhood model of service delivery which we have adopted. The principles for this model were informed by customer feedback and engagement.

Engaging with customers

We have created a new Customer Engagement framework and have already established important elements of that framework including the creation of a customer oversight group for our New Paradigm transformation programme. We have a significantly expanded group of over 200 customers who want to work with us to establish a digital or virtual consultation structure. This group – Virtual Voices – has already been active in helping us to review our customer service offer.

During 2022/23, we will be undertaking a full customer consultation exercise to expand the range of opportunities and ways for customers to tell us about their experience of our services and how we can improve what we do, as well as sustaining and developing the work of our Resident Scrutiny Panel, the customer New Paradigm Oversight Group and Virtual Voices. There will also be a programme of local level engagement to support the Neighbourhood model of service delivery.

We have continued to carry out extensive customer satisfaction surveying both through our quarterly telephone satisfaction survey, and through focused surveys on our handling of anti-social behaviour cases, the experience of customers who have moved into new homes, and of customers whose homes have been transferred to us from other housing associations during the year. We used the insight from these surveys to directly inform service improvements and regularly report through customer email newsletters on how we have used the feedback from surveys.

We have also used customer feedback and consultation to update our Customer Care Standards. These have already been applied through an organisation-wide training programme and are incorporated throughout our performance management approach into job descriptions, personal and team objectives, and our service offer to customers. During 2022/23 we will be monitoring individual and team performance against the Customer Care Standards and tracking the impact of this on customer satisfaction.

Improving our service

We have made significant immediate improvements to our service in parallel with these wider strategic initiatives.

We have put in place new processes and tenancy agreements which means that we will now offer assured tenancies rather than fixed term tenancies to new customers. This will provide new tenants with tenancy agreements that remove the uncertainty of periodic reviews of their occupancy and security of tenure, as well as removing significant unproductive work as tenancy agreements come up for review. During 2022/23, we will undertake a programme of work to convert existing fixed term tenancies to assured tenancies ahead of their normal expiry for customers managing their tenancy.

Customer feedback placed the highest priority on improving the way we organised repairs. We have been preparing to implement a new system that allows customers to track the progress of our repairs operatives in real time and provides a channel for customer feedback. Satisfaction with repairs is the most significant driver of overall customer satisfaction, and the deployment of this option for customers throughout 2022/23 will provide better information for customers about the timing and progress of their appointments and improve access rates for operatives carrying out repairs.

We have also begun projects to make focused improvements in key areas of service delivery in relation to service charges, the management of defects periods on new homes, how we specify and manage the standards for empty properties between lettings, and our service to homeowners, including the new standard form of shared ownership lease.

We have established a Customer Strategy Board, including Executive Board members, which will oversee the delivery of the full range of Customer Strategy commitments and ensure that there is a clear alignment and integration with the work of the New Paradigm transformation programme.

Helping our customers

During the year, we have continued to provide focused support to more vulnerable customers. The Foundation Committee have reaffirmed their commitment to supporting the provision of debt advice through funding to Citizens Advice which enables us to refer customers with complex or serious debt or finance problems across most of our area of operation. This provides more intense support to back up the basic benefit and debt advice which our income recovery and tenancy sustainment teams provide. We have also provided grants to support services that provide specialist support for customers with complex mental health problems, and for those with hoarding behaviours. We have also continued our support to foodbanks in the areas where we work, and to projects that provide support to individuals suffering or fleeing domestic abuse. During the year we have awarded grants to these and other projects providing support to communities where we work to the value of £253k. We also provided fuel grants through a programme supported by the Housing Associations Charitable Trust to customers suffering immediate fuel poverty challenges.

We have budgeted to continue the grants programme at this level in 2022/23, and the new organisational structure provides for a more systematic integration of the work that we fund with our in-house tenancy sustainment work. A larger proportion of our customer base faces a deeper financial challenge than we anticipated at the beginning of the Corporate Plan period because of the widening gap between increases in their income which are insufficient to meet the higher rates of increase in basic household costs of food and fuel. We are continuing to focus on making sure that we provide as much support as we are able to enable customers to access the benefits and services that they are entitled to, and that we work systematically to identify those customers at greatest risk, and work with them and our voluntary and local authority partners to make sure they are able to access discretionary public support as fully as possible.

Our targets and performance

Customer satisfaction measures – by the end of the Corporate Plan period our objectives are to achieve the following levels of performance on specific measures:

- General needs customer satisfaction of 88% for those who rent their home from us
- Homeowner customer satisfaction of 65% for those who are shared owners or leaseholders
- Repairs customer satisfaction of 85% with our repairs service
- Deliver significant enhancement to online services including online access to safety documents (where relevant).

	2021/22	2020/21	2019/20
Customer satisfaction (tenants)	80%	84%	80%
Customer satisfaction (shared owners)	55%	56%	56%
Complaints upheld	68%	66%	57.4%
Complaints average days*	N/A	15.9*	19.4
% Stage 1 responded to within 10 days*	91%	N/A	N/a
% Stage 2 responded to within 20 days*	77%	N/A	N/a
Ombudsman complaints upheld	2	1	0
Relet times average days	21.5	14.2	14.4

*Complaints average days was replaced by Stage 1 and 2 response time monitoring following the launch of the Housing Ombudsman Complaints Code and new complaints policy in Jan 2021

Performance on these measures has deteriorated over the year. The most significant driver for this has been an increased requirement for repairs, at the same time as a wider pressure on the capacity to meet this demand. We have undertaken sustained and focused work throughout the year to reduce the backlog of repairs from the COVID-19 lockdown period and have reduced the level of outstanding repairs. We have maintained our performance and exceeded our targets for carrying out emergency repairs and fixing repairs on the first visit.

We continue to undertake focused interventions within Property Services to increase capacity and reduce overall response times for non-emergency repairs.

The significant increase in relet times is driven by more than one factor - a larger proportion of the empty properties handed back need more time to bring them to the standard that we require for letting, and nominations are taking longer to work through to completed lettings. We have created a working group of key staff to work through the challenges and improve performance in these areas.

The strategic changes to our service model, adapting our structure and roles in the Customer Directorate, and the service improvements noted above, in combination with the transformation programme, will provide a sustainable foundation for delivery of the Corporate Plan target, but we expect to continue to monitor and manage front line service performance closely and take decisive action to address service delivery issues which adversely affect customer satisfaction.


Hodds Wood Road, Chesham

We build new homes to help more people

Video: Living Space Housing

Our objective is to provide homes to people who need them and can't afford them in the open market.

The Corporate Plan sets out commitments to build new affordable homes within the limits of our financial capacity, and to be a large, developing provider of affordable housing with a local focus in our core operating area.

Our Development Strategy sets out the programme of work to deliver at least 2,250 new homes within our core operating areas through development over the Corporate Plan period and to maintain 1,600 homes in the development pipeline to achieve our target for completed new homes. We have added 551 homes to Paradigm's business during the year through acquisition and development.

We have completed 225 new homes from our development programme during the year. The shortfall against the target of 328 for the year is substantially attributable to one development where the contractor went into administration but we have already put in place arrangements to complete this development in 2022/23. There has been a clear trend towards delays in programmed completions which are the result of pressures on the availability of labour and supply chains for materials. These are pressures in the wider market which we expect to persist during 2022/23.

The development pipeline at the end of the year was 1,100 homes. There are currently over 800 homes under construction or with a contractual commitment, and we expect to complete over 440 of these during 2022/23.

Our preferred tenure mix is for 50% affordable or social rent, and 50% shared ownership. The current tenure mix of the development pipeline is 65% rented and 35% shared ownership. The pipeline is predominately based on S106 schemes where we are acquiring the affordable housing provision from private developers of existing sites. As we build our pipeline, we intend to rebalance the portfolio with a blend of land led and package deals as well as S106 sites.

We sold 127 shared ownership homes during the year against a target of 136, with the main cause for the shortfall being the delay to completion due to contractor administration.

During the year, we have put in place more effective arrangements for home ownership services, particularly in relation to support to new homeowners, and continued to focus on more resources and more robust processes to ensure the quality of new homes handed over to us. Customer satisfaction with new homes was 93% against a target of 85%. We have been effective in improving the overall customer experience, our rate of defects at 2.2 defects per new home, is just outside our target of 2.1.

We completed the acquisition of 326 homes from another Registered Provider, predominantly affordable rented and shared ownership, located within our core operating area in Slough and St Albans. We benefitted significantly from the recent experience of our stock swap in the ability to apply the systems and methods that enabled us to carry out effective due diligence, integrate new homes and data in our systems, and provide a good experience to transferring customers.

Acquisition and development of new homes has remained a significant challenge during the year. The housing market has remained resilient throughout the year, and this means that the availability and price of development sites and package deals remain challenging against a backdrop of limited capital grant. This has been compounded by the very significant capacity challenges for labour and materials. This applies both to Paradigm in securing new projects on a financially viable basis, and the counterparty risk of developers and housebuilders who do not have sufficient capacity to manage inflation risks.

We make sure our homes are safe and sustainable

Our objectives are to do our job as landlord to make sure our properties are safe and kept in good repair for our customers, to make our homes sustainable and to make sure that our employees have a safe workplace.

Our Asset Management Strategy sets out the programme of work that we must undertake to make sure that we comply with safety standards and put ourselves in a position to become a net zero carbon business by 2050.

Providing safe homes

Our commitment is to achieve 100% compliance with the core regimes for ensuring the safety and fitness of homes, including compliance with the Decent Homes Standard.

For the Decent Homes Standard, we achieved 99.5% compliance. We continue to progressively reduce the small outstanding number of homes which do not meet the standard, and to regularly review the position and options for tackling the tail of DHS failures. Those where resolution is difficult to secure are principally related to the ability to access homes to complete works.

At the end of the year, we had secured full compliance with requirements in relation to fire risk assessments, asbestos surveys and water hygiene checks. Our gas safety checks are complete for over 99.9% of our properties.

Compliance is not static. The condition of our homes changes, and we maintain a strong focus on the accuracy of our compliance records and stock condition information so that we rapidly identify where there are new compliance issues to address.

We are also upgrading or preparing our compliance processes and systems on a continuing basis to address new and changing requirements. These include imminent changes to rules for smoke and carbon monoxide detectors, requirements flowing from the implementation of Building Safety Act measures and requirements for checking fire doors, and the developing policy for a revised Decent Homes Standard.

This includes the preparatory work for producing Building Safety Cases for our 4 high rise blocks, and the draft Resident Engagement Strategy we need to adopt. We will update and revise these as the detailed statutory and regulatory requirements are finalised ahead of their commencement.

Improving the energy efficiency of our homes

We have accelerated a significant surveying activity to ensure that we have a reliable view of the energy performance of our homes as measured by EPC ratings. This has made significant progress and we now expect to complete this work more quickly than planned in 2023.

The proportion of homes that are rated EPC C or better is 69.9%, up from 66%. The average SAP rating for our stock is 72.75, above the sector average of 68.4, and we have increased this average by 0.55 over the course of the year.

The improvements have come from a combination of routine improvement works which typically increase the EPC rating by one level for less efficient homes, and from more accurate data on energy performance. These were areas for focus in the first year of the Asset Management Strategy in order to ensure that there is a reliable data-driven approach to our retrofit programmes.

On the basis of this we remain committed to the objective of bringing all of our homes to at least EPC C by 2030, for which we expect that we will adopt 'fabric first' measures across the programme as a whole, and to tackle the least energy efficient properties upfront. This year, all properties with an EPC of E or less (3%) will have a detailed retrofit survey, as the basis for assessing the options for specifying improvement works and applying for grant programmes where these are available.

Our current long-term financial plan does not include any benefit from grant funding, and therefore represents a prudent estimate of forecast retrofit cost. By the end of this financial year, all EPC data will be refreshed and in 2023/24 we will commence retrofit works to the bulk of our D rated properties (27.9%).

Our approved long-term business plan includes over c.£343m of expenditure for the next 30 years for this energy efficiency investment programme. £153m of this provision is allocated to replace existing components such as windows, boilers and roofs. The remaining provision of £190m is earmarked to achieve carbon neutrality by 2050 over the life of the plan. Of the £190m provision, we have allocated £40m to achieve the target of minimum EPC C by 2030.

Environmental Sustainability

During the year, the Board approved Paradigm's Environmental Sustainability Strategy. This represents one of the Corporate Plan commitments which is necessary not only to achieve net zero carbon across Paradigm's whole business by 2050, but to reduce the adverse environmental impacts of our work across a range of other impacts in addition to carbon emissions.

We already monitor and report on operational CO2 emissions through the Streamlined Energy and Carbon Reporting framework. The strategy commits us to establishing a fuller reporting framework which addresses the carbon intensity of the activity of building and maintaining homes.

During the year we have undertaken significant resident engagement with new residents at our developments where we have incorporated zero or low carbon or other environmental sustainability measures in the design of new homes, including a development in Milcombe, Oxfordshire where we have provided air source heat pumps for heating and hot water. We recognise that realising reductions in carbon emissions is dependent on working in partnership with customers. The use of new equipment depends upon its effectiveness and our ability to maintain it, as well as customers adapting to the different characteristics of new technology.

During 2022/23, we are initiating significant work to improve waste management across our business, with the objective of sending zero waste to landfill over the Corporate Plan period, and to embed sustainability performance in our procurement processes for our most significant areas of expenditure.

We strive to do more by making the most of our resources

Our objective is to ensure that we organise all the resources at our disposal to deliver the best outcomes for providing good homes and excellent services that we can.

Our finances

We have a clear financial strategy which underpins the long-term financial viability and investment capacity of our business. During the year, we have regularly reviewed the financial and operational performance of our business, with particular attention to the combined effects of reinstating our normal service as COVID-19 restrictions were progressively removed and the labour and supply chain shortages which have also generated significant cost pressures in our budget. This approach has enabled us to respond rapidly and flexibly to operational and budgetary challenges as they emerge, and to ensure that we make informed trade-offs which maintain the quality of our homes and services while not undermining our financial plans.

At the beginning of the year, we undertook a refinancing exercise through the issue of a £350m bond and £150m in revolving credit facilities. This has improved our underlying financial position in respect of enabling us to reduce our average cost of debt in the year by over 0.5% and will reduce our interest costs by £2.3m in 2022/23. It has also provided us with liquidity through most of this Corporate Plan period, and 100% of our drawn debt is now on low fixed rates. Our gearing is at 52.6% against a threshold of 56%.

Our operating margin (excluding sales) is 34.4% against a target of 41.6% The operating margin for future years is forecast to be lower as we increase the scale of our investment in our homes to improve their energy efficiency and fund the costs of a transition to a net zero business.

Our management cost per property is £698 against a target of £757 for the year. The saving reflects the delays in some corporate projects due to COVID-19 along with higher vacancies than planned.

Our four-week average rent arrears are 3.2% against a target of 3%. The level of arrears was increased by the effects of acquisition of tenanted stock, at the end of March 2022 and would otherwise have been within target. However, we are expecting that significant additional pressure on the household finances of our customers will put upward pressure on rent arrears. Our approach is to engage at an early stage with customers who appear to be struggling to pay their rent, and to provide support and assistance to manage their rent account through provision of benefits and referral to debt advice services that we fund, in order to prevent arrears becoming an unmanageable debt.

During the year, we initiated a three-year detailed budget process to improve the reliability and predictability of our cost base, particularly with a view to ensuring that we plan the resource requirements where we are running significant investment programmes in our homes and transformation of IT and business processes as multi-year activities. Our strategy is based around attracting, retaining and developing employees with the knowledge, skills, values and behaviours we need as a business to deliver the vision for Paradigm’s future.

Our transformation programme

The New Paradigm programme is a business transformation programme that brings together a comprehensive redesign of how we manage and deliver customer services and look after our assets. We are making a significant investment in our business systems to support and enable that wider transformation programme. This programme is on the timetable we planned at the beginning of the Corporate Plan period. Our new finance business system is scheduled to go live early in 2022/23, and the configuration stage of our new housing management system is in progress and on schedule for our planned deployment of the new system in 2023/24. This is an important strategic foundation for our ability to deliver better customer services and increase the efficiency of our business in the subsequent years of this Corporate Plan.

Workplace and employee engagement

We maintained our 1* accreditation through the Best Companies survey process at the end of 2021, with an increased level of employee engagement on the previous year. We have sustained our action planning process, which is driven by the detailed team level survey analysis which we take from this engagement survey.

During the year we have also progressively removed COVID-19 precautions in the workplace and across our operations in line with Government guidance. We have now closed our offices in Chesham and Welwyn and almost all office-based staff now use Glory Park as their office base. Following the initial removal of restrictions in summer 2021, we reopened the office and established a flexible hybrid working arrangement for all office-based staff. This was suspended briefly through the winter resurgence of the pandemic. We think that this hybrid working arrangement provides for a reasonable balance of flexibility for employees, whilst remaining focused on the priority that our model must be effective in delivering services for customers. By the end of the year 2021/22, we reopened the office and started to remodel the working space that it provides, focusing on enabling collaboration and problem solving within a modern environment.

VALUE FOR MONEY (VFM)

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

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

VFM is about understanding what costs are being incurred, what drives those costs and what they deliver. VFM measures ensure we plan effectively and manage our business and operations in a cost-effective manner, making the best use of the resources available to us to provide quality homes and services that meet housing needs. We monitor the sector scorecard metrics as well as operational performance throughout the year. We have benchmarked against our peers in the south-east and our performance for the year is shown in the table on page 22.

Our key VFM metrics are provided below:

Delivery of new homes

We have increased the number of homes that we own and manage from 15,650 to 16,022 during the year. This includes the purchase of 326 homes from another Registered Provider in March 2022. Our objective is to focus on the growth of our portfolio in our core operating area centred on Buckinghamshire, Hertfordshire and Bedfordshire, and some of the immediately neighbouring areas. This enables us to support greater efficiency in the management and maintenance of our homes, and this acquisition is a contribution to that objective.

Our Corporate Plan from April 2022 onwards has an ambitious target to maintain a pipeline of 1,600 units and to develop 2,250 homes during the lifetime of the five-year plan in our core operating areas. While Paradigm is in a strong financial position and ideally placed to pursue new development/stock opportunities, we are not complacent about potential risks to the business. We continue to undertake robust risk assessments, use prudent assumptions and run sensitivity analysis on all development opportunities.

Property sales

We achieved first tranche shared ownership sales of 127 against a target of 136, delivering an operating surplus of £3.7m versus a target of £2.6m. We sold 18 homes through our tenant purchase scheme achieving an operating surplus of £2.9m against target £1.1m. In addition, 77 customers purchased additional tranches of their shared ownership property achieving a surplus of £3.4m against a budget of £3.5m. During the year we also disposed of a site that was under construction generating a surplus of £1.5m

Operating margin

Our operating margin is 42.9% against a target of 43.5%. The main variations against target are better than expected performance in respect of property sales (including the surplus on the disposal of the development site), offset by an increase in legal costs, scheme defects, repairs costs including waking watch costs and increased overall costs of materials and subcontractors.

Social housing cost per unit

Social housing cost per unit is above target of £3,628, at £3,888, a similar level to the previous year (2021: £3,889). This is above target due to both higher repairs costs and increased demand for repairs by customers.

Management cost per unit

Our management cost per unit has increased to £698 compared to £651 in 2020/21. However, this is below the budget of £757, mainly due to savings in overheads. We will continue to monitor and challenge these costs. The increase from 2021 reflects additional project management costs being incurred to deliver our transformation programme.

Interest cover

Excluding refinancing costs, our interest cover of 156.4% (2021: 151.8%) reflects the increased operating costs incurred, offset by lower interest as a result of the refinancing during the year.

Gearing ratio

Our gearing ratio of 52.6% (2021: 49.3%). Overall our net debt has increased by £75.4m driven by the refinancing we carried out early in the financial year.

We continue to maximise the use of our assets to raise funds to deliver more homes.

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

Performance measure	Target	2022	2021	Peer Group Median 2021
Operating margin (overall)	>43.5% Turnover	42.9%	54.47%	28.2%
Operating margin (social housing lettings)	>44% Turnover	38.0%	41.60%	31.0%
Headline social housing cost per unit	£3,628	£3,888	£3,120	£4,062
Interest cover (EBITDA-MRI) (including refinance costs)	182.8%	153.2%	151.84%	188.7%
Interest cover (EBITDA-MRI) (excluding refinance costs)	182.8%	156.4%	151.84%	188.7%
Gearing	<55%	52.6%	49.3%	47.9%
New supply delivered – social housing	2.2%	1.54%	1.8%	1.8%
New supply delivered – non-social housing	0.0%	0.0%	0.2%	0.16%
Return on Capital Employed (including stock swap)	3.5%	3.4%	5.9%	3.3%
Return on Capital Employed (excluding stock swap)	3.5%	3.4%	3.4%	3.3%
Reinvestment	4.00%	3.6%	3.8%	5.9%

Our continued financial strength

Our overall result for the year was a loss of 11.2m (2021 surplus of £54.1m). The loss for the year is stated after £32.5m of charges incurred as part of debt refinancing in May 2021. On a like for like basis (excluding the refinancing charge in 2021/22 of £32.5m and the surplus generated from the stock swap of £35.3m in 2020/21) our underlying surplus for the year would be £21.3m compared to £18.9m, an improvement of £2.4m.

During the year, income from first tranche and other sales totalled £44.3m (2021: £51.6m), delivering a margin of 25.9% (2021: 7.4%). Excluding the sale of the development site, the total was £29.3m with a margin of 34.1%. The pipeline of new homes has continued to be impacted by COVID-19 and is lower than our target of 1,600 homes. The volume of first tranche sales was lower than target, but the % purchased was above target.

The loss for the year meant that our net assets reduced by £5.1m. However, underlying housing properties increased by £58.8m as we developed 226 new homes and acquired a further 326 from another Registered Provider.

Following the refinancing in June 2021, our net debt increased by £76.5m. We will see the benefit of the reduced interest rates over the next few years.

GROUP HIGHLIGHTS, FIVE YEAR SUMMARY

GROUP STATEMENT OF COMPREHENSIVE INCOME	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Turnover	116.8	153.4	129.2	130.1	123.9
Turnover before housing sales	101.5	99.1	96.1	95.8	91.4
Income from lettings	96.2	92.6	91.7	91.5	87.8
Property depreciation	11.8	9.6	9.3	9.3	11.1
Operating surplus before housing sales	34.9	39.5	32.6	38.1	43.1
Operating surplus from social housing lettings	36.5	38.5	40.4	43.0	42.5
Operating surplus	50.1	83.6	43.0	47.9	54.0
(Loss) / Surplus for the financial year	(11.2)	54.1	15.7	25.1	25.6
GROUP STATEMENT OF FINANCIAL POSITION	**£m**	**£m**	**£m**	**£m**	**£m**
Housing properties	1,430.5	1,372.0	1,296.1	1,272.0	1,239.9
Net current assets	22.8	19.2	68.3	39.2	52.5
Indebtedness	752.9	676.3	715.1	685.2	692.4
Total reserves	656.4	661.4	614.2	591.9	572.6

STATISTICS	%	%	%	%	%
Operating margin	42.9	54.5	33.3	36.8	43.6
Operating margin excluding sales	34.4	39.8	34.0	39.8	47.2
Surplus as % of turnover[1]	18.2	35.3	12.1	19.3	20.7
Operating margin social housing lettings	38.0	42.3	44.1	47.0	48.5
Rent losses	0.9	0.5	1.5	1.1	1.1
Gearing	52.6	49.3	55.2	53.9	56.5
EBITDA – MRI interest cover[2]	156.4	151.8	156.6	162.8	172.5
EBITDA – MRI as a % of turnover[3]	39.9	32.7	39.8	42.0	50.4
Surplus from social housing lettings over interest paid[4]	120.1	116.8	123.2	129.2	116.0

ACCOMMODATION OWNED AND MANAGED	units	units	units	units	units
Total social and supported rented	12,270	11,970	11,627	11,689	11,590
Total low cost home ownership	2,648	2,575	2,367	2,164	2,023
Total leasehold and market rent	1,104	1,105	1,221	1,055	1,005
Total housing	**16,022**	**15,650**	**15,215**	**14,908**	**14,618**

1: Excluding refinancing costs. Including refinance costs the figure would be (9.6)%

2. Excluding refinancing costs. Including refinancing costs the figure would be 75.6%

3. Excluding refinancing costs. Including refinancing costs, the figure would be 75.6%

4. Excluding refinancing costs. Including refinancing costs the figure would be 58.1%

CAPITAL STRUCTURE AND TREASURY POLICY

During the year and at year end, Paradigm's capital structure was based on long-term bank borrowings, together with capital market bond issues. At 31 March 2022 the breakdown of borrowings was as set out below:

Funding at 31 March 2022

	Arranged £m	Drawn £m	Undrawn £m
Bank loans	419	269	150
Public bond issues	350	250	100
Club bond issues	166	166	-
Private Placement	100	100	-
Total funding	**1,035**	**785**	**250**

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

Borrowing facilities are at both fixed and floating rates of interest in order to manage exposure to interest rate fluctuations. At 31 March 2022, fixed rates of interest ranged from 1.939% to 7.00%. Floating rates are no more than 0.32% above the Sterling Overnight Index Average (SONIA). The Group has no free-standing derivatives or swaps.

In May 2021, Paradigm launched its first 30-year public bond at a coupon of 2.25% for £250m with an additional £100m retained for future issue.

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

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

Type of Exposure	Actual	Minimum	Maximum
Fixed rate	100%	65%	95%
Floating rate	0%	5%	35%

The actual fixed % of 99.5% was above the treasury policy limit of 95% as we had not drawn down on the revolving credit facility at the year end. Including arranged facilities (not drawn) our fixed rate exposure is 85.5% and our floating rate is 14.5%.

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

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

At the year-end the Group's drawn borrowings of £784.6 (2021: £714.4) were repayable as follows:

Maturity profile

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Maturity					
Within one year	3.4	5.8	5.5	5.2	3.3
Between one and two years	3.8	9.9	5.8	5.5	11.7
Between two and five years	15.1	33.0	35.3	39	39.2
After five years	762.3	665.7	688.3	648.1	649.2
Total borrowings	**784.6**	**714.4**	**734.9**	**697.8**	**703.4**

Cash inflows and outflows are shown in the Group cash flow statement on page 44. The Group's net increase in cash during the period was £5.7m (2021: increase £24.7m) and is due in part to the refinancing and the purchase of 326 properties from another Registered Provider.

GOVERNANCE

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

Liz Bailey, Mathew Bishop, John Simpson
Non-executive members

INVESTMENT COMMITTEE

Delegated authority to approve larger development projects and oversees the implementation of the development strategy and the asset management strategy.

Members:

John Cross
Chair

Phil Shepley, Peter Quinn, Julian Ashby , Eleanor Southwood, Richard Osborne
Non-executive members

GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

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

Members:

Pat Brandum
Chair

Julian Ashby, Eva Cullen, Eleanor Southwood
Non-executive members

TREASURY COMMITTEE

Responsible for overseeing the implementation of Treasury Strategy; approving Treasury Management Policy; monitoring treasury performance, compliance and risk; and has delegated authority to approve smaller treasury transactions.

Members:

John Simpson
Chair

Julian Ashby, John Cross,
Non-executive members

Nicola Ewen
Executive member

FOUNDATION COMMITTEE

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

Members:

Pat Brandum
Chair

John Simpson
Non-executive members

Patricia Buckland
Tim Yates
Independent members

Ewan Wallace
Staff member

PROJECT ASSESSMENT GROUP

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

EXECUTIVE TEAM

The Amalgamated Board (which comprises the entity boards of PHG, PHCHA and PCL) is composed of 11 non-executive members and one executive member, with meetings taking place at least six times per year. Board members are drawn from a range of backgrounds. Our appointments policy for non-executive Board and committee members is skills based and aims to ensure appropriate representation reflecting business needs and the diverse communities we serve.

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

Members undergo a comprehensive induction programme with on-going training provided through attendance at conferences as well as formal training courses. Each member is expected to attend at least 80% of meetings each year and all Board and committee members are subject to regular performance appraisals. The Board members who served throughout 2021-22 and up to the date of this report are listed on page 1.

Board member indemnity insurance was provided through the NHF and Howdens insurance schemes. On expiry of the policy in November 2021, coverage was placed with PIB Insurance.

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

Paradigm occasionally uses 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

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

Customer involvement

The Resident Services Panel continue to monitor services and produce an Annual Report to Board. They are considering improvements to our repair bookings processes. The Panel has undertaken a customer led self-assessment against the Ombudsman complaint handling code and our complaint policy and processes.

During the year we launched our new Customer Care Standards following extensive training of staff.

Employees

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

Equality and diversity

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

We have an Equality, Diversity and Inclusion Working Group to ensure that anyone who has a relationship with Paradigm has a positive interaction/experience and feel they are encountering an inclusive and welcoming environment, where people are dealt with fairly and thoughtfully.

We will:

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

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

Modern slavery statement

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

Health and safety

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

RISKS, UNCERTAINTIES AND INTERNAL CONTROLS ASSURANCE

Key risks to the delivery of Paradigm's plans are identified, reviewed and revised throughout the year by senior management, the Audit and Risk Committee (ARC) and the Board. Alongside the internal audit programme, ARC had a 'deep dive' in the areas of Recruitment & Retention, Fleet Management, Complex Leases alongside a comprehensive review of the Stock Swap that took place in March 2020. ARC continues to monitor the progress of the Transformation Programme. Data Protection & Data Governance are reviewed biannually by ARC.

The key risks are summarised below:

Risk	Comments	Mitigation
Failure of Health and Safety Management Systems	The health and safety of our customers, staff and contractors remains a key concern, especially in light of more general failings across the property sector highlighted in the Hackitt Review of Building Regulations.	The Group remains committed to complying with recommendations made by fire authorities, other health and safety authorities and Government. The compliance testing programme is monitored closely by the Audit and Risk Committee and the Board.
Construction Industry Capacity and Operating Costs	A combination of Brexit and COVID-19 have negatively impacted the construction industry's capacity in 2021/22. Programmes have extended, costs of materials and labour have risen markedly, particularly following recent political events and have exacerbated the existing sector problems such as recruitment and retention of staff.	The Group continues to monitor all costs and pays close attention to developers. Initial appraisals are stress tested for increased costs. If the forecast cost overrun is greater than 5%, the development scheme is taken back to the Investment Committee for reappraisal.
Downturn in the housing market	Although the housing market was buoyant in the financial year there remains a medium-term risk associated with damage to the economy, high public debt, rising interest rates and the increasing cost of living.	The Group sets strict capital at risk limits and constantly monitors sales performance. This allows us to make timely decisions about tenure allocation. Initial appraisals are stress tested for house price reductions. If the sales forecasts fall by more than 5% from the original appraisal the scheme is taken back to the Investment Committee for reappraisal.
Breach of Funders Covenants	Default event could lead to cross-default and potential requirement from lenders to repay debt immediately or reprice all debt; likely regulatory downgrade; possible business failure.	Our long-term plan is regularly stress tested, the results of which form our overall control framework and cap our development capacity. The Treasury Committee and Board regularly receive updates and covenant calculations are performed on a quarterly basis. All covenants are easily met.
Financing	In order to achieve our development aspirations, the Group's development plans must be underpinned by secured funding. Key risk areas relate to interest rates, covenant compliance and availability of security.	Paradigm's treasury management strategy and policy, approved by the Board, set out clear parameters to mitigate interest rate risk, and to manage and report covenant compliance. The Board receives regular updates on available security and this is applied as a stress-test to the business plan. During the year we refinanced our debt, reducing our interest burden. Our debt is 100% fixed at the date of this report.
Change in Government policy	Policy changes can materially impact on our strategic approach to delivery of our corporate plan.	We regularly undertake horizon scanning to determine potential regulatory changes and priorities. Where changes are anticipated we undertake impact analysis and stress test them in our financial plans.

Internal controls assurance

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

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

- formal policies and procedures are in place, including the documentation of key systems and clearly defined management responsibilities for the identification and control of significant risks
- financial forecasts, budgets and business plans are prepared to support the Board and management as they monitor key business risks, financial objectives and progress towards financial objectives set for the year and the medium term
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board
- a comprehensive approach to treasury management has been adopted and this approach is reviewed by the Board at least once a year, with covenant compliance reviewed quarterly
- the Board has approved anti-fraud policies, covering the prevention, detection and reporting of fraud, and the recovery of assets
- the Board has approved anti-bribery and corruption policies
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance
- the Board has delegated responsibility to the Audit and Risk Committee to review and report to the Board on reports from management, from the internal auditors and from the external auditors, to provide reasonable assurance that control procedures are in place and are being followed.

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

A fraud register is maintained and is reviewed by the Audit and Risk Committee at each meeting. There were no frauds during 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 were our internal auditors at the start of the financial year. Following a tender process, KPMG were appointed to start from October 2021. The ARC has received and considered the annual report of the internal auditor. The ARC maintained 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 £252,844 (2021: £42,863). Requests for funds are reviewed by the Paradigm Foundation Committee.

A list of all organisations receiving over £10,000 is shown below:

Citizens Advice Bureau	81,975
Herts Mind Network	25,813
Womens Aid	25,500
Transitions UK	20,000
People Potential Possibilities	12,000
Kings Church	12,000
The Oasis Partnership	10,000
Thames Valley Partnership	10,000
Donations under £10k to 12 different organisations	55,556
	252,844

Going concern

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

We have considered the impact that current inflationary pressures and economic situation (including the current situation in Ukraine) have had on the Group and individual companies' cash flows, ability to obtain materials and the potential for significant increases in material costs, sales, arrears, together with the uncertainty regarding phasing of work.

After reviewing the forecasts and projections, the Board has reasonable expectation that the Company will continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the Financial Statements.

SUSTAINABILITY AND ENERGY REPORTING

This is our primary measure of the gross CO2 emissions from our operational activities, and we also include this information in our ESG report. The measurement ratio that we report is total gross emissions in metric tonnes CO2 (CO2e) per property.

Our long-term goal is to become a net zero carbon business by 2050. Although this framework is an incomplete measure of this target, the long-term goal requires us to reduce gross emissions and the intensity ratio continually throughout that period.

Performance on the gross measure for 2021/22 indicates that emissions increased compared with 2020/21, but were lower than for 2019/20. In this context, 2020/21 was an anomalous year with overall emissions significantly affected by the impacts of COVID-19 on office use and service delivery.

The increase in Scope 1 is principally a product of increased emissions from fleet vehicles. We maintain a fleet of vans which our Property Services operatives use to deliver the bulk of our maintenance service. We began a process during the year of replacing the existing fleet with more efficient hybrid engine vehicles, but the overall mileage increased on the previous year as the volume of maintenance activity rebounded, and we saw continued increase in the number of homes we own and manage.

Scope 2 emissions have reduced compared with 2020/21. The overall level of scope 2 emissions is substantially reduced following the closure of our offices in Chesham and Welwyn Garden City during and following the pandemic. We restarted hybrid working from our principal remaining office at Glory Park, Wooburn Green for part of 2021/22, but still sustained a reduction in emissions on the prior year.

Scope 3 emissions from Paradigm activities principally relate to business travel. These were reduced overall during the year as we adapted working practices and the volume of business travel was generally reduced. We expect this to increase, as it has for maintenance activities, and are reviewing other options to reduce emissions from this source.

The intensity ratio (emissions/property) has risen slightly. This is principally the cumulative effect of the increase in scope 1 emissions arising from the increase in maintenance activity.

This reporting format does not include the emissions which are generated from energy use by customers living in their homes. We have estimated these emissions based on Energy Performance Certificate ratings for the homes we own. We have begun a significant programme of work, as detailed in our Asset Management Strategy, which will raise EPC levels to a minimum of C within the next decade, and this will have a significant effect on reducing emissions from this source.

Group gas emissions and energy use data

	2022	2021
Energy consumption used to calculate emissions (kWh)	3,958,208	3,431,386
Scope 1 emissions in metric tonnes CO_2e		
Gas consumption	56.63	62.21
Fleet transport	750.75	637.33
Total Scope 1	**807.38**	**699.54**
Scope 2 emissions in metric tonnes CO_2e - purchased electricity	74.41	77.65
Scope 3 emissions in metric tonnes CO_2e -Business travel in employee & rental vehicles	31.72	27.66
Total gross emissions in metric tonnes CO_2e	**913.51**	**804.85**
Intensity ratio tonnes CO_2e per property	**0.07**	**0.07**

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

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

> select suitable accounting policies and then apply them consistently

> make judgements and accounting estimates that are reasonable and prudent;

> state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, [the 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 2022. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group and Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group and Company's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein..

Statement of compliance

In preparing this Strategic and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers (2018), Statement of Compliance with the Regulator of Social Housing and Governance and Financial Viability Standard in year to date of this report.

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

Annual general meeting

The annual general meeting will be held on 22 September 2022.

The report of the Board was approved by the Board on 14 July 2022 and signed on its behalf by:

Julian Ashby
Chair

Financial Statements 2021/22

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARADIGM HOUSING GROUP LIMITED

Opinion on the financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2022 and of the Group's and the Company's surplus for the year then ended;

> the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

> the financial statements have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the 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 2022.

We have audited the financial statements of Paradigm Housing Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2022, which comprise the Group and Company Statement of Comprehensive Income, Group and Company Statement of Financial Position, Group and Company Statement of Changes in Reserves, Group and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

> obtaining management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern;

> considering the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;

> obtaining an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;

> assessing the facility and covenant headroom calculations, and re-performing sensitivities on management's base case and stressed case scenarios; and

> reviewing the wording of the going concern disclosures, and assessing its consistency with management's forecasts.

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

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

Overview

Coverage	100% of Group profit before tax 100% of Group revenue 100% of Group total assets	
Key audit matters		2022
	The recoverable amount of property developed for sale is materially misstated	✓
	The recoverable amount of housing property is materially misstated	✓
	This is the first year of reporting key audit matters as the debt was issued during the current year.	
Materiality	Group financial statements as a whole £2.8m based on 5% of adjusted operating surplus.	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

A full scope statutory audit was carried out for all subsidiaries. Audit work on all components was peformed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

We identified one component, Paradigm Homes Charitable Housing Association Limited, which, in our view required an audit of their complete financial information due to their size and risk characteristics and was therefore considered to be a significant component.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr>
<td>The recoverable amount of property developed for sale is materially misstated.

As described in Note 1 (Accounting Policies) and Note 15 (Properties for sale), the Group carries property developed for sales at the lower of cost and net realisable value. As at 31 March 2022, the Group held property for sale of £10.0m (2021: £8.2m).

This area is also considered by management a key estimation uncertainty as described in Note 1.</td>
<td>For all schemes developed for sale at the balance sheet date, management has performed an assessment of their recoverable amount using external valuations, including an assessment of the actual costs incurred against budget.

Due to the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk and therefore a key audit matter.</td>
<td>Having obtained management's assessment of the net realisable value of property developed for sale, we selected a sample on which to perform detailed testing. Our samples were chosen from the populations of items that represented both property under construction and completed property at year-end.
For the selected property we have:

1. For sales price:
> compared anticipated selling prices to sales prices achieved after the year end, sales prices achieved for similar units in the year, valuation of properties for marketing purposes and other selling prices of similar properties in the locality.

2. For costs to complete:
> assessed computations of costs to complete for reasonableness;
> obtained the latest valuers report and review the construction costs against the total contract value taking into account contract variations;
> obtained details of the expected costs to complete from the scheme budget for that development and agree the budgeted contracted cost of the development to the latest contract documentation;
> considered Development Committee minutes and made enquiries of Scheme Project Managers for indications of cost overruns, contractor disputes or solvency issues in relation to the schemes tested;
> compared the incurred expenditure (including costs incurred after the reporting date) to the estimated amount to ensure that the cost to complete estimate reflects actual costs; and
> assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.

3. For costs to sell:
> considered computations of selling costs and compared against known selling costs that have been incurred in the year.

Key observations
Based on our procedures we noted no exceptions and found management's key assumptions to be reasonable.</td>
</tr>
</table>

The recoverable amount of housing property is materially misstated As described in Note 1 (Accounting Policies) and Note 11 (Tangible fixed assets), the Group annually assess housing properties for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure. Where an asset is currently deemed not to be providing service potential to the Group, its recoverable amount is its fair value less costs to sell. The Group considers local authorities' areas to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of FRS102 and SORP 2018. This area is also considered by management a key estimation uncertainty as described in Note 1.	Assets are required to be reviewed for indicators of impairment annually. If such indicators exist, an impairment assessment and estimate of the recoverable amount must be performed. Due to the inherent estimation uncertainty in determining the recoverable amount, we considered there to be a significant risk and therefore a key audit matter.	Having obtained management's assessment of indicators of impairment, we have: > considered whether management had included all asset groups (including all tenure types) in their review; > reviewed management's estimates, judgements and the information that has been used to support these decisions; > considered the completeness of the identified schemes by comparing it to our knowledge obtained through voids review and minutes review to identify schemes with tenure change, physical damage, build delays or a significant increase in development cost to complete; > confirmed the competence of the expert used by management and assessed their valuing methodology; and > reviewed the appropriateness and completeness of the disclosures in the financial statements and accompanying narrative reports. **Key observations** Our work identified no misstatements or inappropriate application of judgement or estimation. Based on our procedures we noted no exceptions and found management's key assumptions to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	Parent Company financial statements
	2022 **£m**	**2022** **£m**
Materiality	2.8	0.9
Basis for determining materiality	Adjusted operating surplus	Gross expenditure
Rationale for the benchmark applied	The benchmark used for determining materiality is adjusted operating surplus. The adjustments to operating surplus are to add back depreciation, deduct surplus on first tranche sales and amortisation, which is in line with the Group's strictest loan covenant definition. We have used this benchmark as we considered items affecting the adjusted operating surplus to be the area of financial statements with the greatest interest to the principal users and the area with the greatest impact on investor and lender decisions.	Parent Company income is made up of recharges to the other entities since it manages the Group payroll. Payroll costs are the major external factor governing the results of this entity, therefore total expenditure is a reasonable basis.
Performance materiality	1.7	0.5
Basis for determining performance materiality	60% of materiality. The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements.	

Component materiality

A full scope statutory audit was carried out for each subsidiary. We set materiality for each component of the Group based on their size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.3m to £2.8m. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £56,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Company;
- a satisfactory system of control has not been maintained over transactions;
- the Company financial statements are not in agreement with the accounting records and returns; 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 members responsibilities statement, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements.

We gained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, the Co-operative and Community Benefit Societies Act 2014, the 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 2022).

In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to fire safety, environmental, occupational health and safety and data protection.

All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate revenue cut-off. The responsible individual specifically reviewed the individuals allocated to work on these sections to ensure that they have the requisite competence to perform this work and to ensure they would identify any applicable non-compliance with laws and regulations.

Our audit procedures included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment, useful lives of depreciable assets, fair value measurement of investment properties, with assistance from the auditor's expert, shared ownership, recoverable amount of properties developed for sale (see Key Audit Matter above) and defined benefit pension scheme obligations;
- Identifying and testing journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations and specific user postings;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings and papers provided to the Group Audit & Risk Committee throughout the period and to the date of approval of the financial statements for instances of non-compliance with laws and regulation and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Group Audit & Risk Committee and any correspondence received from regulatory bodies.

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

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

Use of our report

This report is made solely to the members of the Company, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Philip Cliftlands
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Phil Cliftlands

(Senior Statutory Auditor For and on behalf of BDO LLP)

For and on behalf of BDO LLP, Gatwick, United Kingdom.

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

14 September 2022

Group and Company Statements of Comprehensive Income

		Group						Company	
		2022			2021				
	Notes	Regular activities	Exceptional items	Total £'000	Regular activities	Exceptional items	Total £'000	2022 £'000	2021 £'000
Turnover	2	116,835	-	116,835	153,436	-	153,436	27,392	24,696
Cost of Sales	2	(11,627)	-	(11,627)	(50,248)	-	(50,248)	-	-
Operating costs	2	(66,606)	-	(66,606)	(59,587)	-	(59,587)	(28,139)	(25,491)
Gain on disposal of properties	2,4	11,476	-	11,476	4,696	-	4,696	-	-
Gain on stock swap	2	-	-	-	-	35,281	35,281	-	-
Operating surplus/(deficit)	2	**50,078**	**-**	**50,078**	**48,297**	**35,281**	**83,578**	**(747)**	**(795)**
Interest receivable and other income	7	780	-	780	531	-	531	-	-
Interest payable and financing costs	8	(29,118)	-	(29,118)	(29,997)	-	(29,997)	(536)	(422)
Cost of debt refinancing	8	-	(32,505)	(32,505)	-	-	-	-	-
Movement in fair value of investments		(445)	-	(445)	36	-	36	-	-
Surplus/(deficit) before tax		**21,295**	**(32,505)**	**(11,210)**	**18,867**	**35,281**	**54,148**	**(1,283)**	**(1,217)**
Taxation	10	-		-	-	-	-		-
Surplus/(deficit) for the year		**21,295**	**(32,505)**	**(11,210)**	**18,867**	**35,281**	**54,148**	**(1,283)**	**(1,217)**
Actuarial gain/(loss) in respect of LGPS pension scheme	22	1,183	-	1,183	(23)	-	(23)	1,183	(23)
Actuarial gain/(loss) in respect of SHPS pension scheme	22	4,902	-	4,902	(6,816)	-	(6,816)	4,902	(6,816)
Total comprehensive income / (expense) for the year		**27,380**	**(32,505)**	**(5,125)**	**12,028**	**35,281**	**47,309**	**4,802**	**(8,056)**

The Group and Company results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved and authorised for issue by the Board on 14 July 2022 and signed on their behalf by:

Julian Ashby
Chair

Matthew Bailes
Board member

Ewan Wallace
Secretary

Group Statement of changes in reserves

	Revenue reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance as at 1 April 2020	**509,788**	**104,381**	**614,169**
Surplus for the year	54,148	-	54,148
Other comprehensive income for the year:			
Actuarial loss in respect of LGPS pension scheme	(23)	-	(23)
Actuarial loss in respect of SHPS pension scheme	(6,816)	-	(6,816)
Transfer from revaluation reserve to revenue reserve	26,212	(26,212)	-
Balance as at 31 March 2021	**583,309**	**78,169**	**661,478**
Deficit for the year	(11,210)	-	(11,210)
Other comprehensive income for the year:			
Actuarial gain in respect of LGPS pension scheme	1,183	-	1,183
Actuarial gain in respect of SHPS pension scheme	4,902	-	4,902
Transfer from revaluation reserve to revenue reserve	62	(62)	-
Balance as at 31 March 2022	**578,246**	**78,107**	**656,353**

Company Statement of changes in reserves

	Revenue reserve £'000
Balance as at 1 April 2020	**(9,612)**
Deficit for the year	(1,217)
Other comprehensive income for the year:	
Actuarial loss in respect of LGPS pension scheme	(23)
Actuarial loss in respect of SHPS pension scheme	(6,816)
Balance as at 31 March 2021	**(17,668)**
Deficit for the year	(1,283)
Other comprehensive income for the year:	
Actuarial loss in respect of LGPS pension scheme	1,183
Actuarial gain in respect of SHPS pension scheme	4,902
Balance as at 31 March 2022	**(12,866)**

The accompanying notes form part of these financial statements.

Group and Company Statements of financial position

	Notes	Group 2022 £'000s	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Fixed assets					
Tangible fixed assets - housing properties	11	1,430,548	1,371,745	-	-
Other tangible fixed assets	12	15,922	11,795	-	-
Investment properties	13	12,143	11,925	-	-
Investments – other	14	9,859	10,401	30	30
		1,468,472	1,405,866	30	30
Current assets					
Properties for sale	15	10,034	8,235	-	-
Debtors	16	9,452	7,698	2,520	10,223
Short term investments	17	858	523	-	-
Cash and cash equivalents		32,080	37,831	818	2,003
		52,424	54,287	3,338	12,226
Creditors: amounts falling due within one year	18	(29,673)	(35,059)	(9,570)	(16,366)
Net current assets/(liabilities)		22,751	19,228	(6,232)	(4,140)
Total assets less current liabilities		1,491,223	1,425,094	(6,202)	(4,140)
Creditors: amounts falling due after more than one year	18	(825,507)	(750,058)	-	-
Provisions for liabilities					
Net pension liability – SHPS	22	(5,404)	(11,173)	(5,404)	(11,173)
Net pension liability - LGPS	22	(974)	(2,113)	(974)	(2,113)
Other provisions	23	(2,985)	(272)	(286)	(272)
Total comprehensive income for the year		**656,353**	**661,478**	**(12,866)**	**(17,668)**
Reserves					
Non equity share capital	24	-	-	-	-
Income and expenditure reserve		578,246	583,309	(12,866)	(17,668)
Revaluation reserve		78,107	78,169	-	-
Total com		**656,353**	**661,478**	**(12,866)**	**(17,668)**

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 14 July 2022 and were signed on their behalf by:

Julian Ashby
Chair

Matthew Bailes
Board member

Ewan Wallace
Secretary

Group and Company Statements of Cash Flows

	Notes	Group 2022 £'000s	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Net cash generated from/(used by) operating activities	**26**	**78,262**	**120,323**	**(648)**	**1,394**
Cash flow from investing activities					
Purchase of fixed assets - housing properties		(90,978)	(51,959)	-	-
Purchases of fixed assets - other		(5,259)	(1,770)	(1)	(2)
Net cash received on stock swap		-	3,603	-	-
Received grant		3,184	1,517	-	-
Repaid grant		(996)	-	-	-
Interest received		780	531	-	-
		(93,269)	**(48,078)**	**(1)**	**(2)**
Creditors: amounts falling due within one year					
Interest paid		(30,233)	(32,983)	(536)	(422)
Bond early repayment charge		(29,752)	-	-	-
Proceeds from new borrowings (net of issuance costs)		248,462	-	-	-
Movement in short term investments		-	5,882	-	-
Repayment of loans – bank		(179,231)	(20,479)	-	-
		9,256	**(47,572)**	**(536)**	**(422)**
Net change in cash and cash equivalents		(5,751)	24,673	(1,185)	970
Cash and cash equivalents at the beginning of the year		37,831	13,158	2,003	1,033
Cash and cash equivalents at the end of the year		**32,080**	**37,831**	**818**	**2,003**

The accompanying notes form part of these financial statements.

1. Accounting policies

Basis of accounting

The financial statements of the Group and Company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP) 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. 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.

The presentation of the Statement of Comprehensive Income has been changed in the year to a columnar format as this presentation is considered to be more appropriate and provides information that is reliable and more relevant to users of the financial statements. The one-off gain on stock swap that was shown as a separate item in the prior year has been shown in a separate column.

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; and
- only one reconciliation of the number of shares has been presented as the reconciliation for Group and Company would be identical.

Segmental reporting

The Group's reportable segments are based on its operational divisions which offer distinguishable services. The chief operating decision maker (CODM) is considered to be the Board. In line with the segments reported to the CODM the preparation of these financial statements and accompanying notes is in accordance with the Accounting Direction for Private Registered Providers of Social Housing (2022) and is considered appropriate.

Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group. Refer to Note 2 for further disclosed information.

Going concern

The Board have 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.

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

We have considered the impact that current inflationary pressures and economic situation (including the current situation in Ukraine) have had on the Group and individual companies' cash flows, ability to obtain materials and the potential for significant increases in material costs, sales, arrears, together with the uncertainty regarding phasing of work.

Significant judgements and estimates

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

Significant management judgements

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

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

Classification of financial instruments

In considering the appropriate classification of financial instruments as 'basic' or 'non-basic' the Board has reviewed the definitions given in FRS102 clause 11.5. When assessing the 'basic' nature of financial instruments, clause 11.9(b) refers to principal and current/prior interest. Under our agreements, breakage costs are payable in respect of future interest payments, so the Board does not consider these should be taken into account when assessing whether instruments are 'basic' or 'other'. In addition, clause 11.9(c) states that contractual terms which require the issuer to compensate the holder on early termination do not breach the 'basic' test. While there is no specific mention of compensation from the holder back to the issuer, the Board does not consider silence to be grounds on which financial instruments should be classed as 'other'.

Classification of property

Investment property is property held to earn rentals or for capital appreciation or both. Property held for use in the production or supply of goods or services or for administrative purposes is treated as property, plant and equipment. The Group has therefore classified its office buildings (held for administrative purposes) as property, plant and equipment. A greater degree of judgement is required over the classification of housing property held for social lettings. It is the Group's opinion that while rental income is received from the provision of social housing, the primary purpose is to provide social benefits. The provision of social housing is therefore akin to supplying a service and so property held for this purpose has been accounted for as property, plant and equipment. This treatment is consistent with housing associations that have chosen the alternative option of applying the revised UK GAAP (FRS 102), which contains explicit provisions for this scenario and arrives at a similar conclusion. It is also consistent with guidance contained in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 (the SORP).

Shared ownership properties

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

Development expenditure

The Group capitalises development expenditure. Initial capitalisation of costs is based upon management's judgement that a development scheme is confirmed.

Pensions assumptions, inc discount rate and salary increases

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made being:

> inflation rate;
> life expectancy; and
> discount rate.

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

Estimates

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

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 22).

Valuation of investment properties

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

Stock and properties held for resale

Stock and properties held for sale are carried at the lower of cost or net realisable value. Management assess the net realisable value of schemes using publicly available information and internal forecasts on future sales prices after allowing for all further costs of completion and disposal.

Trade receivables

Management exercise judgement relating to the recoverability of outstanding rental and other trade receivables. A review is performed regularly to assess the recoverability of these accounts taking in to account the age profile of the debt, historic collection rates and the class of the debt.

Allocations of costs

Allocation of costs between tenure types and between first and subsequent shared ownership tranches are based on the scheme appraisals which are priced by square meterage.

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. Transactions with non-regulated group entities are disclosed in Note 31.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiaries at 31 March 2022 using acquisition accounting. Details of subsidiaries are shown in note 31.

Turnover and revenue recognition

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

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

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

Deferred taxation

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

For investment properties at fair value deferred tax is measured using the tax rates and allowances that apply to the sale of the property.

Value Added Tax (VAT)

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs, due to partial exemption rules. The balance of VAT payable or recoverable at the year-end is shown as a current liability or asset.

Properties for sale

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

Interest payable

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

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance

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

Other interest payable on bank loans is charged to the income and expenditure account in the year in which it is incurred. Capitalised interest and interest on intercompany balances is calculated on a weekly basis at 5.0%.

As a result of the change from LIBOR to SONIA, the group applied the practical expedient in the amendment of FRS102 paragraph 11.20C.

Pension costs

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

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

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

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

Housing properties

Housing properties are principally properties available for rent and shared ownership and are stated at deemed cost being the Existing Use Value - Social Housing valuation at 31 March 2014 plus subsequent additions at cost.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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

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

In the current year Paradigm Homes Charitable Housing Association entered into a stock transaction with another social landlord, purchasing housing properties at a cost of £39.3m. This value includes original grant funding of £8,547k which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Paradigm Homes Charitable Housing Association is responsible for the recycling of the grant in the event of housing properties disposed.

Depreciation of housing properties

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

Assets	Annual rates	Years
Structure	0.8%	125
Roofs	1.4%	70
Windows and doors	3.3%	30
Kitchens	5.0%	20
Bathrooms	3.3%	30
Heating systems	6.6%	15

Freehold land is not depreciated.

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

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

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure. Where an asset is currently deemed not to be providing service potential to the Group, its recoverable amount is its fair value less costs to sell. The Group considers local authorities' areas to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of FRS102 and SORP 2018.

Other tangible fixed assets

Depreciation is provided on the cost of other tangible fixed assets on a straight-line basis so as to write them down to their estimated residual values over their expected economic useful lives. The expected useful economic lives are:

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

Investment properties

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

Government grants

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

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

Cash and cash equivalents

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

Current asset investments

Investments are stated at market value. Changes in market value are taken to the Statement of Comprehensive Income.

Provisions

The Group has recognised provisions for liabilities of uncertain timing or amounts including those for ongoing legal matters. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the information required by paragraphs 21.14 to 21.16 of FRS102 is considered to be seriously prejudicial to the position of the Group it is not included in the financial statements.

Reserves

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

Revaluation reserve

Before the properties were carried at deemed cost, whenever there was any re-valuation of housing properties, the difference between the valuation and carrying value of the land and structure elements of housing properties was credited to the revaluation reserve. The revaluation reserve represents the difference between the deemed cost of housing properties and the historic cost, net of depreciation.

Operating leases

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

Financial instruments

TThe 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.

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.

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

	2022			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**96,208**	**-**	**(59,647)**	**36,561**
Other social housing activities				
Supporting People contract income	140	-	(18)	122
Corporate services	504	-	(49)	455
Development costs not capitalised	-	-	(4,076)	(4,076)
First tranche shared ownership sales	15,346	(11,627)	-	3,719
Other support services	13	-	(82)	(69)
Office equipment, other rental and license fees	353	-	(691)	(338)
	16,356	**(11,627)**	**(4,916)**	**(187)**
Non-social housing activities:				
Lettings	4,271	-	(1,907)	2,364
Other	-	-	(136)	(136)
	4,271	**-**	**(2,043)**	**2,228**
Gain on disposal of properties	-	-	-	11,476
Total	**116,835**	**(11,627)**	**(66,606)**	**50,078**

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

GROUP – CONTINUING ACTIVITIES

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

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

COMPANY – CONTINUING ACTIVITIES

2022			
OTHER SOCIAL HOUSING ACTIVITIES	Turnover £'000	Operating costs £'000	Operating surplus £'000
Management services	26,937	(28,139)	(1,202)
Other	455	-	455
	27,392	(28,139)	(747)

2021			
OTHER SOCIAL HOUSING ACTIVITIES	Turnover £'000	Operating costs £'000	Operating surplus £'000
Management services	24,263	(25,491)	(1,228)
Other	433	-	433
	24,696	(25,491)	(795)

There are no social housing lettings within the Company.

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

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS
GROUP – CONTINUING ACTIVITIES

	2022					2021
	General needs housing £'000	Supported housing and housing for older people £'000	Temporary social housing £'000	Low cost home ownership £'000	Total £'000	Total £'000
Income:						
Rent receivable net of identifiable service charges	72,553	777	3,634	10,208	87,172	84,925
Service charge income	4,458	351	-	1,233	6,042	4,352
Fee income	-	-	2,344	-	2,344	2,718
Rechargeable works	393	-	-	-	393	393
Amortised government grants	211	-	-	-	211	370
Other grants	46	-	-	-	46	(144)
Turnover from social housing lettings	**77,661**	**1,128**	**5,978**	**11,441**	**96,208**	**92,614**
Operating costs:						
Management	7,277	449	805	1,886	10,417	9,452
Service charge costs	4,775	(4)	-	1,439	6,210	5,009
Routine maintenance	13,039	-	94	-	13,133	10,816
Planned maintenance	9,924	-	3	-	9,927	10,610
Bad debts	273	-	(42)	-	231	459
Property lease charges	-	-	4,901	-	4,901	5,431
Depreciation	11,829	33	-	-	11,862	9,569
Impairment	-	-	-	-	-	587
Accelerated depreciation on component replacement	983	-	-	-	983	202
Other costs	1,983	-	-	-	1,983	1,953
Operating costs of social housing lettings	**50,083**	**478**	**5,761**	**3,325**	**59,647**	**54,088**
Operating surplus from social housing lettings	**27,578**	**650**	**217**	**8,116**	**36,561**	**38,526**
Void losses	**650**	**-**	**159**	**-**	**809**	**584**

3. Accommodation in management and development

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

	Group 2022 No of units	Group 2021 No of units
General needs housing - social and intermediate rent	9,264	9,001
General needs housing - affordable rent	2,511	2,387
Supported housing and housing for older people	163	170
Low-cost home ownership	2,648	2,575
Temporary social housing - short leasehold	61	55
Total social housing owned	**14,647**	**14,188**
Temporary social housing - short leasehold	234	333
Accommodation managed for others	37	42
Total social housing managed	**14,918**	**14,563**
Market rented properties	292	292
Leasehold properties	789	772
Units managed by other organisations.	23	23
Total non-social housing owned and managed	**1,104**	**1,087**
Total housing owned and managed	**16,022**	**15,650**
Accommodation in development at the year end		
General needs housing	597	552
Low-cost home ownership	349	325
Outright sales	-	-
Total under development	**946**	**877**
New homes under construction included in development programme	**824**	**691**

3. Accommodation in management and development (continued)

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

	Group 2021 Number of properties	Disposals	Movement between categories	Additions	Group 2022 Number of properties
Social housing					
General needs housing - social and intermediate rent	9,001	(12)	(6)	281	9,264
General needs housing - affordable rent	2,387	(3)	3	124	2,511
Supported housing and housing for older people	170	(2)	(5)	-	163
Low-cost home ownership	2,575	(45)	(14)	132	2,648
Temporary social housing	55	-	6	-	61
Total owned	**14,188**	**(62)**	**(16)**	**537**	**14,647**
Temporary social housing - short leasehold	333	(98)	(1)	-	234
Accommodation managed for others	42	(5)	-	-	37
Total owned and managed	**14,563**	**(165)**	**(17)**	**537**	**14,918**
Non-social housing					
Market rented properties	292	-	-	-	292
Leasehold properties	772	(14)	17	14	789
Units managed by other organisations	23	-	-	-	23
Total owned and managed	**15,650**	**(179)**	**-**	**551**	**16,022**

4. Surplus on disposal of fixed assets

	2022			2021
	Shared ownership Staircasing £'000	Other housing properties £'000	Total £'000	Total £'000
Stock swap				
Proceeds	-	-	-	146,712
Cost of sales	-	-	-	(111,191)
Surplus	**-**	**-**	**-**	**35,281**
Other sales				
Proceeds	9,442	19,473	28,915	9,340
Cost of sales	(5,640)	(11,799)	(17,439)	(4,644)
Surplus	**3,802**	**7,674**	**11,476**	**4,696**

5. Employees

AVERAGE MONTHLY NUMBER OF EMPLOYEES EXPRESSED AS FULL-TIME EQUIVALENTS	Group and Company 2022 Number	2021 Number
Administration	115	119
Development	28	31
Housing and support	150	148
Maintenance	181	168
	474	466

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 2022 £'000	2021 £'000
Wages and salaries	20,142	18,615
Social security costs	2,033	1,910
Pension costs	1,546	1,308
	23,721	21,833

The staff numbers and costs above exclude non-executive members of the Board.

Pension costs relate to participation in the Local Government Pension Scheme (LGPS), in the Social Housing Pension Scheme (SHPS) or in defined contribution stakeholder arrangements. Further information on LGPS and SHPS is given in note 22. Furlough of £10k (2021: £241k) was received in year.

THE FULL-TIME EQUIVALENT NUMBER OF STAFF INCLUDING DIRECTORS WHO RECEIVED EMOLUMENTS:	Group and Company 2022 Number	2021 Number
£60,000 to £70,000	17	15
£70,001 to £80,000	8	13
£80,001 to £90,000	7	12
£90,001 to £100,000	2	3
£100,001 to £110,000	4	2
£110,001 to £120,000	2	1
£120,001 to £130,000	1	2
£130,001 to £140,000	1	2
£140,001 to £150,000	-	-
£150,001 to £160,000	3	2
£160,001 to £170,000	-	2
£170,001 to £180,000	1	-
£180,001 to £190,000	-	-
£190,001 to £200,000	1	1

6. Key management personnel remuneration

KEY MANAGEMENT PERSONNEL	Group 2022 £	Group 2021 £
Board	104,472	99,528
Executive management team	1,321,904	1,229,133
The aggregate remuneration for key management personnel, which includes the executive directors and other members of senior management charged in the year	**1,426,376**	**1,328,661**

HIGHEST PAID DIRECTOR:		
Remuneration payable to the highest paid director		
Wages, salaries and benefits in kind	184,596	177,137
Pensions	19,747	18,604
	204,343	**195,741**

Chief Executive Pension contributions:

The Chief Executive is an ordinary member of the Defined Contribution Social Housing Pension Scheme (SHPS) (see note 22). 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.

DIRECTORS ARE DEFINED AS MEMBERS OF THE BOARD, INCLUDING THE CHIEF EXECUTIVE:		
Executive directors	204,343	195,741
Non-executive directors	104,472	99,528
Aggregate emoluments payable to directors including pension contributions and benefits in kind	**308,815**	**295,269**

6. Key management personnel remuneration (continued)

THE AGGREGATE EMOLUMENTS PAID TO OR RECEIVED BY NON EXECUTIVE DIRECTORS	Group 2022 £	Group 2021 £
Richard Archer	4,025	4,300
John Cross	10,728	10,500
Mathew Bishop	8,000	8,000
Patricia Brandum	10,728	10,500
Phil Shepley	5,667	8,000
John Simpson	10,728	10,500
Julian Ashby	16,987	16,000
Peter Quinn	8,000	8,000
Philippa Lowe	10,728	10,500
Liz Bailey	8,000	8,000
Timothy Yates	1,000	1,000
Patricia Buckland	1,000	1,000
Richard Osborne	4,485	-
Eleanor May Southwood	4,394	-
	104,470	96,300

7. Interest receivable

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Interest receivable from short term deposits and long-term investments	780	531	-	-
	780	**531**	**-**	**-**

8. Interest payable and similar charges

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Pension interest expense:				
Defined Benefit Scheme – LGPS (note 22)	14	45	14	45
Defined Benefit Scheme – SHPS (note 22)	256	111	256	111
	270	**156**	**270**	**156**
On bank loans, overdrafts and other loans:				
Interest paid to group companies	-	-	266	266
Interest paid on loans due within five years	-	-	-	-
Interest paid on loans due in more than five years	30,171	32,718	-	-
Early Repayment charge	29,752	-	-	-
Other refinancing costs	2,753	-	-	-
	62,676	**32,718**	**266**	**266**
Interest payable capitalised on properties in the course of construction	(1,323)	(2,877)	-	-
Total	**61,623**	**29,997**	**536**	**422**
Capitalisation rate used to determine the finance costs capitalised during the period	4.75%	4.75%		

9. Operating surplus

The operating surplus is arrived at after charging (crediting):

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Depreciation of housing properties	11,862	9,569	-	-
Impairment of housing properties	(1,926)	428	-	-
Depreciation of other owned fixed assets	1,132	1,155	-	-
Operating lease rentals				
- land and buildings	4,901	5,432	-	-
- office equipment and computers	-	-	-	-
Auditor's remuneration (excluding VAT)				
- Fees payable to the Company's auditor for the audit of the financial statements	81	74	-	-
- Audit of the financial statements of the Company's subsidiaries pursuant to legislation	10	5	-	-
- Additional fees payable to the Company's auditor for the audit of the 2021 financial statements	60	-	-	-
Total audit services	**151**	**79**	**-**	**-**
- All other services	-	-	-	-
Total non-audit services	**-**	**-**	**-**	**-**

10. Taxation

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
UK corporation tax				
Current tax on income for the period	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-
Corporation tax charge for the period	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Tax on surplus on ordinary activities	-	-	-	-

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Surplus/(deficit) on ordinary activities before tax	11,210	54,148	(1,283)	(1,217)
Tax on (deficit) / surplus on ordinary activities at standard corporation tax rate of 19% (2021:19%)	(2,130)	10,288	(243)	(231)
Effects of:				
Expenses not deductible for tax	1	-	1	-
Income not taxable for tax purposes	1,526	(10,276)	-	-
Amounts (charged)/credited directly to equity or otherwise transferred	11	(1,299)	11	(1,299)
Adjust opening deferred tax to average rate	(800)	-	(740)	-
Deferred tax not recognised	32	1,530	(185)	1,530
Amounts (charged)/credited directly to equity or otherwise transferred	1,360	(243)	1,156	-
Total tax charge	-	-	-	-

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will impact the Company's future current/deferred tax charge accordingly.

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

Cost	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
At 1 April 2021	1,265,139	32,381	152,799	79,188	1,529,507
Adjustment to opening balance*	(20,764)	21,202	40,638	(41,076)	-
At 1 April 2021 (restated)*	1,244,375	53,583	193,437	38,112	1,529,507
Additions	-	34,191	-	11,956	46,147
Property improvements	5,531	-	-	-	5,531
Transfers to completed schemes	20,043	(20,043)	15,723	(15,723)	-
Transfer to current assets following change in 1st tranche %	-	-	-	(700)	(700)
Housing properties disposals	(1,729)	(13,467)	(5,640)	-	(20,836)
Component disposals	(2,170)	-	-	-	(2,170)
Purchase of properties from another RP	39,053	-	247	-	39,300
At 31 March 2022	**1,305,103**	**54,264**	**203,767**	**33,645**	**1,596,779**
Less depreciation and impairment					
At 1 April 2021	153,489	1,523	-	2,750	157,762
Charge for the year	11,862	-	-	-	11,862
Impairment for the year	-	824	-	(2,750)	(1,926)
Housing property disposal	(280)	-	-	-	(280)
Component replacement	(1,187)	-	-	-	(1,187)
At 31 March 2022	**163,884**	**2,347**	**-**	**-**	**166,231**
Net book value at 31 March 2022	**1,141,219**	**51,917**	**203,767**	**33,645**	**1,430,548**
Net book value at 31 March 2021	**1,111,650**	**30,858**	**152,799**	**76,438**	**1,371,745**

*In the current year £20,764k has been reclassified from properties held for letting to shared ownership and £18,374k from shared ownership under construction to shared ownership completed. £21,202k has been reclassified from shared ownership under construction to housing properties for letting under construction. These errors have been identified following a review of the fixed asset register and do not impact the net book value.

The reversal of the impairment charge relates to the sale of 2 sites that had been previously impaired.

11. Tangible fixed assets – Housing properties – Group (continued)

	2022 £'000	2021 £'000
Freehold land and buildings	1,346,021	1,252,383
Long leasehold land and buildings	82,638	117,463
Short leasehold land and buildings	1,889	1,899
	1,430,548	**1,371,745**

EXPENDITURE ON WORKS TO EXISTING PROPERTIES	2022 £'000	2021 £'000
Capitalised costs in respect of existing properties	5,531	4,800
Costs charged to the Statement of Comprehensive Income	23,292	21,412
Property Improvements	**28,823**	**26,212**

SOCIAL HOUSING ASSISTANCE	2022 £'000	2021 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Held as deferred income	36,802	33,737
Recognised in the statement of comprehensive income	310,411	310,598
Total government grant	**347,213**	**344,335**

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.

11. Tangible fixed assets – Housing properties – Group (continued)

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:	2022 £'000	2021 £'000
Historical cost	1,518,673	1,451,338
Less: depreciation and impairment	(166,231)	(157,762)
Historical cost net book value	**1,352,442**	**1,293,576**
Revaluation reserve	78,106	78,169
Net book value at 31 March	**1,430,548**	**1,371,745**

12. Tangible fixed assets – Other – Group

COST	Freehold office properties £'000	Leasehold office improvements £'000	Photo-voltaic panels £'000	Equipment, fixtures and vehicles £'000	Total £'000
At 1 April 2021	12,321	1,609	1,027	5,504	20,461
Additions	-	-	-	5,259	5,259
At 31 March 2022	**12,321**	**1,609**	**1,027**	**10,763**	**25,720**
Less depreciation and impairment					
At 1 April 2021	4,795	1,114	371	2,386	8,666
Charge for the year	411	52	41	628	1,132
At 31 March 2022	**5,206**	**1,166**	**412**	**3,014**	**9,798**
Net book value at 31 March 2022	**7,115**	**443**	**615**	**7,749**	**15,922**
Net book value at 31 March 2021	**7,526**	**496**	**657**	**3,117**	**11,795**

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

VALUATION	2022 £'000	2021 £'000
At 1 April	11,925	11,340
Additions	99	-
Component replacement costs	-	(23)
Increase in value	119	608
At 31 March	**12,143**	**11,925**
Number of properties in ownership	**61**	**61**

The Group's investment properties were valued at 31 March 2022 by Savills (UK) Limited, part of the Savills Group, a general practice firm providing surveying and valuation services around the country. The full valuation of properties was undertaken in accordance with the Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2021 together, where applicable, with the UK National Supplement effective 14 January 2020, together the ''Red Book'. Savills' valuation is at the valuation date and is reported as not being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards.

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

14. Investments

LONG-TERM INVESTMENTS	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
The Housing Finance Corporation Ltd	5,769	6,278	-	-
Haven Bond issues security deposit	3,416	3,397	-	-
AHF Bond	644	696	-	-
MORhomes PLC	30	30	30	30
Valuation at 31 March	**9,859**	**10,401**	**30**	**30**
Cost at 31 March	**8,210**	**8,210**	**-**	**-**

MOVEMENTS IN LONG-TERM INVESTMENTS:	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
At 1 April	10,401	10,951	-	-
New investments/(Withdrawals)	-	-	-	-
Interest received	22	35	-	-
(Deficit)/surplus on revaluation	(564)	(585)	-	-
Valuation at 31 March	**9,859**	**10,401**	**-**	**-**

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Shared ownership properties under construction	7,870	7,324	-	-
Shared ownership properties completed	2,164	911	-	-
At 31 March	**10,034**	**8,235**	**-**	**-**

16. Debtors

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Rent and service charges receivable	4,793	4,753	-	-
Less bad debt provision	(1,633)	(1,505)	-	-
	3,160	3,248	-	-
Social Housing Grant receivable	25	25	-	-
Prepayments and accrued income	2,746	2,723	466	328
Amount owed by group undertakings	-	-	640	8,751
Other debtors	4,996	2,594	1,933	2,279
Sundry bad debt provision	(1,475)	(892)	(519)	(1,135)
At 31 March	**9,452**	**7,698**	**2,520**	**10,223**

17. Short term investments

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
95 notice deposit	-	-	-	-
32 day notice deposit and leaseholder sinking funds	858	523	-	-
At 31 March	**858**	**523**	**-**	**-**

18. Creditors: amounts falling due within one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade creditors	3,410	3,539	2,304	1,820
Loans repayable in less than one year	3,653	5,794	-	-
Amounts owed to group undertakings	-	-	5,254	12,355
Rent and service charges in advance	2,748	2,813	-	-
Sinking Funds	1,436	1,493	-	-
Recycled Capital Grant Fund (note 20)	388	1,164	-	-
Other taxation and social security payable	756	1,032	792	1,069
Deferred capital grant (note 21)	470	452	-	-
Other creditors	1,285	68	24	50
Accruals and deferred income	15,527	18,704	1,196	1,073
At 31 March	**29,673**	**35,059**	**9,570**	**16,367**

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

	Group 2022 £'000	Group 2021 £'000
Bank loans	781,295	708,366
Net premiums on bond issues	6,560	6,804
Other loans	-	-
Deferred income	227	244
Recycled capital grant fund (note 20)	1,093	1,359
Deferred capital grant (note 21)	36,332	33,285
At 31 March	**825,507**	**750,058**

Bank loans

Of the loans and borrowings due after more than one year and drawn down at 31 March 2022, £781,296k (2021: £674,928k) was fixed with interest rates varying from 1.99% to 7.00%. There were no loans and borrowings with variable interest rates (2021: £33,438k).

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

	Group 2022 £'000	Group 2021 £'000
One year or more but less than two years	3,818	9,847
Two years or more but less than five years	15,144	32,957
Five years or more	762,333	665,562
At 31 March	**781,295**	**708,366**

Included in housing loans above are unamortised arrangement fees of £229k (2021: £250k). These fees are being amortised over the period of the loans which range from 6 years to 16 years.

Deferred income – Deferred income represents payments in advance from a charitable organisation for nomination rights and other agreements, amortised over the remaining period of the agreements. The income is released on a straight line basis over the period of the agreement, there are between 1 and 18 years remaining.

20. Recycled capital grant fund

	Group – HE		Group – GLA		Group – Total	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 April	1,115	1,730	1,408	1,379	2,523	3,109
Inputs to fund:						
- Grants recycled	388	43	-	28	388	71
- Interest accrued	3	2	-	1	3	3
- Repayment of grant	-	-	(996)	-	(996)	-
Recycling of grant:						
- Purchase and development of property	(437)	(660)	-	-	(437)	(660)
At 31 March	**1,069**	**1,115**	**412**	**1,408**	**1,481**	**2,523**

Recycled Capital Grant Fund is capital grant provided through the Homes England and local authorities which is repayable in certain circumstances, but for which the Association 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. £388k (2021: £1,164k) 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 Association 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. Deferred capital grant

GOVERNMENT GRANT	2022 Completed schemes £'000	2022 Under construction £'000	Group 2022 Total £'000	2021 Completed schemes £'000	2021 Under construction £'000	Group 2021 Total £'000
At 1 April	24,220	9,517	33,737	25,096	11,640	36,736
Grant received in the year	-	3,184	3,184	-	1,517	1,517
Grant recycled in the year	-	437	437	-	660	660
Transfer to completed schemes	5,788	(5,788)	-	3,744	(3,744)	-
Transfer to recycled capital grant fund	(195)	21	(174)	(4,230)	(556)	(4,786)
	29,813	7,371	37,184	24,610	9,517	34,127
Grant amortised	(382)	-	(382)	(390)	-	(390)
At 31 March	29,431	7,371	36,802	24,220	9,517	33,737
Amounts to be released within one year	470	-	470	452	-	452
Amounts to be released after more than one year	28,961	7,371	36,332	23,768	9,517	33,285
	29,431	7,371	36,802	24,220	9,517	33,737

22. Pension obligations

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

In accordance with FRS102, pension costs in relation to both schemes are recognised in the accounting period in which the benefits are earned, and the related finance costs are recognised in the accounting period in which they arise. The pension costs are charged in the accounts in accordance with valuation advice prepared by qualified actuaries using the projected unit method. The assumptions which have the most significant effect upon these valuations are those relating to the difference between the rate of return on investments and the rate of increases in salaries and pensions.

The Pensions Trust - Social Housing Pension Scheme (SHPS)

The Company participates in the Social Housing Pension Scheme ("the Scheme"), a 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.

Demographic / statistical assumptions

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

The assumed life expectancies from age 65 are:

	At 31 March 2022 years
Retiring today	
Males	21.1
Females	23.7
Retiring in 20 years	
Males	22.4
Females	25.2

Financial assumptions

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

	At 31 March 2022	At 31 March 2021
Discount rate	2.8%	2.2%
Inflation (RPI)	3.5%	3.2%
Inflation (CPI)	3.2%	2.9%
Salary growth	4.2%	3.9%
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 2022.

22. Pension obligations (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2022 £'000	2021 £'000
Fair value of plan assets	42,105	38,651
Present value of defined benefit obligation	(47,509)	(49,824)
Defined benefit liability to be recognised	**(5,404)**	**(11,173)**

Defined benefit costs recognised in statement of comprehensive income

	2022 £'000	2021 £'000
Current service cost	(9)	768
Expenses	31	31
Operating costs subtotal	**22**	**799**
Net interest expense	234	111
Finance costs subtotal	**234**	**111**
Total expense	**256**	**910**

Sensitivity analysis

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

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

Reconciliation of opening and closing balances of the defined benefit obligation

	2022 £'000	2021 £'000
Defined benefit obligation at start of period	49,824	38,937
Current service cost	(9)	768
Expenses	31	31
Interest expense	1,091	916
Contributions by plan participants	9	111
Actuarial losses (gain) due to scheme experience	2,420	(889)
Actuarial losses (gain) due to changes in demographic assumptions	(719)	173
Actuarial (gain) due to changes in financial assumptions	(4,274)	10,573
Benefits paid and expenses	(864)	(796)
Defined benefit obligation at end of period	**47,509**	**49,824**

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

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	38,651	33,776
Interest income	857	805
Experience gain on plan assets (excluding amounts included in interest income)	2,329	391
Contributions by the employer	1,123	1,714
Contributions by plan participants	9	111
Benefits paid and expenses	(864)	(796)
Fair value of plan assets at end of period	**42,105**	**38,651**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £3,186,000.

22. Pension obligations (continued)

Remeasurements recognised in other comprehensive income

	2022 £'000	2021 £'000
Experience on plan assets (excluding amounts included in interest income) - gain	2,329	3,041
Actuarial gain due to scheme experience	(2,420)	889
Actuarial losses due to changes in demographic assumptions	719	(173)
Actuarial losses due to changes in financial assumptions	4,274	(10,573)
Actuarial gain in respect of SHPS pension scheme	**4,902**	**(6,816)**

Defined benefit costs recognised in statement of comprehensive income

	2022 £'000	2021 £'000
Current service cost	(9)	768
Expenses	31	31
Net interest expense	234	111
Defined benefit costs recognised in statement of comprehensive income	**256**	**1,155**

Retirement benefits - Buckinghamshire Council Pension Fund

Some employees of the Group are admitted to the Buckinghamshire Council Pension Fund ("the Fund"), which is administered by Buckinghamshire Council in accordance with the Local Government Pension Scheme (LGPS) Regulations 2014, was contracted out of the State Second Pension until April 2016 and currently provides benefits based on career average revalued salary and length of service on retirement. The Pension Fund Committee oversees the management of the Fund while 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 £53k (2021: £72k) covering an average of seven employees (2021:7 employees) at a contribution rate of 17% (2021: 17%) of pensionable salaries. The Group estimates that the contribution to be paid to the fund during the accounting period commencing 1 April 2022 is £55k.

Demographic / statistical assumptions

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

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

22. Pension obligations (continued)

The assumed life expectancies from age 65 are:

	At 31 March		
	2022 post CMI years	2022 (pre CMI) years	2021 years
Retiring today			
Males		21.6	21.6
Females		25.0	25.0
Retiring in 20 years			
Males		23.0	22.9
Females		26.5	26.4

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

> 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		
	2022	2021	2020
Salary increases	4.3%	3.9%	3.0%
Pension increases	3.3%	2.9%	2.0%
Discount rate	2.6%	2.2%	2.4%

These assumptions are set with reference to market conditions at 31 March 2022.

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

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

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.5% p.a. below RPI i.e. 2.9% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Employer's

22. Pension obligations (continued)

liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030.

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

Statement of financial position as at 31 March

	2022 £'000	2021 £'000	2020 £'000
Present value of funded obligation	(12,880)	(13,460)	(11,576)
Fair value of scheme assets (bid value)	12,124	11,578	9,881
Net liability	**(756)**	**(1,882)**	**(1695)**
Present value of unfunded obligation	(218)	(231)	(234)
Net defined benefit liability	**(974)**	**(2,113)**	**(1,929)**

Analysis of amount charged in the income and expenditure account

	2022 £'000	2021 £'000
Service cost	23	182
Administration expense	10	11
Operating costs subtotal	**33**	**193**
Net interest on the defined liability	36	45
Finance costs subtotal	**36**	**45**
Total expense	**69**	**238**

Sensitivity analysis

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

Adjustment to the discount rate:	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation (£'000)	12,908	13,098	13,290
Projected service cost (£'000)	-	-	-
Adjustment to long-term salary increases:	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation (£'000)	13,114	13,098	13,081
Projected service cost (£'000)	-	-	-
Adjustment to pension increases and deferred revaluation:	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation (£'000)	13,272	13,098	12,926
Projected service cost (£'000)	-	-	-
Adjustment to life expectancy assumptions:	**+ 1 year**	**none**	**-1 year**
Present value of total obligation (£'000)	13,831	13,098	12,406
Projected service cost (£'000)	-	-	-

22. Pension obligations (continued)

Changes in present value of defined benefit obligation:

	2022 £'000	2021 £'000
Opening defined benefit obligation	13,691	11,810
Current service cost	23	104
Interest cost	287	272
Change in financial assumptions	(413)	2,213
Change in demographic assumptions	-	(139)
Experience loss/(gain) in defined benefit obligation	-	(165)
Estimated benefits paid net of transfers in	(479)	(484)
Past service costs including curtailment.	-	74
Contributions by scheme participants	4	23
Unfunded pension payments	(15)	(21)
Closing defined benefit obligation	**13,098**	**13,691**

Changes in fair value of scheme assets:

	2022 £'000	2021 £'000
Opening fair value of scheme assets	11,578	9,881
Interest on assets	251	227
Return on assets less interest	770	1,886
Other actuarial gain	-	-
Administrative expenses	(10)	(11)
Contributions by employer including unfunded	25	77
Contributions by scheme participants	4	23
Estimated benefits paid including unfunded benefits	(494)	(505)
Closing fair value of scheme assets	**12,124**	**11,578**

The total return on the fund assets for the year to 31 March 2022 is £1,021k (2021: £2,113k).

Re-measurements in other comprehensive income:

	2022 £'000	2021 £'000
Return on fund assets in excess of interest	770	1,886
Other actuarial gains on assets	-	-
Change in financial assumptions	413	(2,213)
Change in demographic assumptions	-	139
Experience (loss) on defined benefit obligation	-	165
Remeasurements of the defined liability and scheme assets	**1,183**	**(23)**

Contributions to other pension schemes

The Group did not make any contributions to other pension schemes in the year (2022: £nil).

LGPS scheme

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

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

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

23. Provisions

	2022 £'000	2021 £'000
At 1 April	272	222
Additions	2,713	50
At 31 March	**2,985**	**272**

24. Non-equity share capital

Allotted, issued and fully paid	2022 £'000	2021 £'000
At 1 April	11	11
Issued during the year	-	-
Surrendered during the year	-	-
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.

25. Net debt

CASH AND CASH EQUIVALENTS	At 1 April 2021 £'000	Cashflows £'000	Reclassification of of debt £'000	At 31 March 2022 £'000
Cash	37,831	(5,751)	-	32,080
Borrowings				
Debt due within one year	5,794	(5,794)	3,653	3,653
Debt due after one year	708,366	76,583	(3,653)	781,296
Total debt	**714,160**	**70,789**	**-**	**784,949**
Total net debt	**676,329**	**76,540**	**-**	**752,869**

26. Net cash generated from operations

	Group		Company	
	2022 £'000s	2021 £'000	2022 £'000	2021 £'000
Surplus/(deficit) for the year	**(11,210)**	**54,148**	**(1,282)**	**(1,217)**
Adjustments for non-cash items:				
Depreciation of fixed assets – housing properties	11,862	9,559	-	-
Accelerated depreciation on replaced components	983	202	-	-
Depreciation of fixed assets – other	1,131	997	-	-
Amortised grant	(393)	(185)	-	-
Recycled grant	(437)	-	-	-
Interest payable and finance costs	29,118	29,997	536	422
Breakage fees paid	32,505	-	-	-
Interest receivable	(780)	(531)	-	-
Movement in fair value of investment properties	(119)	(585)	-	-
Movement in fair value of investment	543	550	-	-
Amortisation of loan issue costs	-	(234)	-	-
Impairment	-	587	-	-
Surplus on the sale of fixed assets – housing properties	(11,476)	(4,696)	-	-
Non-cash movement on the stock swap	-	(35,281)	-	-
Proceeds from the sale of housing properties	28,915	9,400	-	-
Difference in net pension expense and liability	(423)	(641)	(423)	(593)
Movement in trade and other debtors	1,939	3,321	(6,621)	(3,058)
Increase in properties held for sale	(1,799)	52,374	-	-
Movement in provisions	2,713	50	-	-
Movement in trade and other creditors	(4,810)	1,291	7,142	5,840
Net cash generated from/(used by) operations	**78,262**	**120,323**	**(648)**	**1,394**

27. Leasing commitments

Operating leases expiring:	Group 2022 £'000s	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Within one year	2,431	3,643	927	335
Between one and five years	4,872	2,319	4,146	40
More than five years	-	-	-	-
At 31 March	**7,303**	**5,961**	**5,073**	**375**

Leases relate to temporary housing properties leased from landlords and lease van rental.

Lease receivable income is as follow:	Group 2022 £'000s	Group 2021 £'000
Within one year	135	123
Between one and five years	538	493
More than five years	1,717	1,386
At 31 March	**2,390**	**2,002**

28. Capital commitments

	Group 2022 £'000s	Group 2021 £'000
Capital expenditure contracted for but not provided in the financial statements	162,869	82,984
Capital expenditure that has been authorised by the Board but not contracted for	34,696	79,319
At 31 March	**197,565**	**162,303**

The above commitments will be financed through unit sales of £36.1m and borrowings of £161.4m (2021: £182.3m) which are available for draw-down under existing loan arrangements.

29. Borrowing facilities

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

	Group	
	2022 £'000s	2021 £'000
Expiring in less than one year	-	6,952
Expiring in more than one year but not more than two years	-	3,595
Expiring in more than two years	250,000	171,718
	250,000	**182,265**

30. Contingent liabilities

The Group had £50,208k contingent liabilities at 31 March 2022 (2021: £41,797k) other than the Government grant recognised in the statement of comprehensive income in the current and prior years as disclosed in note 11. These amounts may need to be recycled or repaid if the properties they relate to are disposed of.

31. Subsidiaries

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

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

The principal place of business for the above entities is 1 Glory Park Avenue, Wooburn Green, Bucks, HP10 0DF.
The results of all subsidiaries are consolidated into the results of the Group.

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

MANAGEMENT SERVICES PROVIDED BY THE COMPANY TO:	Allocation basis	2022 £'000	2021 £'000
Paradigm Commercial Limited	Accommodation units	130	102
Paradigm Development Services Limited	Payroll costs	2,584	2,398
Paradigm Maintenance Limited	Headcount	12,952	12,879
		15,666	15,379

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

	2022 £'000	2021 £'000
Paradigm Commercial Limited	2,901	2,261
Paradigm Development Services Limited	740	458
Paradigm Maintenance Limited	-	8,051

Management services provided by the Company include administration and management of financial ledgers. The year end balances of subsidiaries include debtor and creditor transactions. Interest is charged at a fixed rate of 5%.

32. 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.

33. Post balance sheet events

At 1 April 2022, Paradigm Maintenance Limited (a subsidiary company) became dormant.

Email

For all general enquiries – including complaints and compliments – please email:
enquiries@paradigmhousing.co.uk

Telephone

You can reach our Customer Services team by telephone on 0300 303 1010.

Our telephone lines are open Monday to Friday 8am – 5.30pm. Please be aware that calls are recorded for training purposes.

Post

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Paradigm