Paradigm Homes Charitable Housing Association Limited

Report and Financial Statements
For the Year Ended 31 March 2022

Community Benefit Society Registration Number: 27789R

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ASSOCIATION INFORMATION

Chair
Julian Ashby

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)

Senior Executives
Matthew Bailes - Chief Executive
Patrick Dawson - Chief Information Officer
Nicola Ewen – Executive Director of Finance
Martyn Jones – Executive Director of Development
Justin McCarthy - Executive Director of Property Services
Hannah Manyewu – Executive Director of Customer (appointed 4 July 2021)
Sarah Nickson - Executive Director of Strategy & Business Services

Company Secretary
Ewan Wallace

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Solicitors
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Trowers and Hamlins LLP

Main Valuers
Savills (L&P) Ltd
Jones Lang Lasalle

Main Banker
Barclays Bank plc

Auditor
BDO LLP
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Registration
Community Benefit Society registration number: 27789R
Regulator of Social Housing registration number: LH4138

REPORT OF THE BOARD AND STRATEGIC REPORT

The Board of Paradigm Homes Charitable Housing Association (the Association, or Paradigm) presents its report and audited financial statements for the year ended 31 March 2022.

Principal activities

The Association's principal activities are:

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

The Association develops new affordable housing with a primary focus on meeting some of the intense demand for housing in our operational areas. As an investment partner, we develop and deliver homes under the Homes England (HE) National Affordable Housing Programme and the Greater London Authority (GLA).

The Association's parent entity, Paradigm Housing Group Limited (the Group), employs all the staff of the Group under a joint employment contract and provides a comprehensive range of services to Group members.

A full Strategic Review for the Group is set out in the Group accounts and extracts from that report that relate to the Association are included below. The Value for Money Self-Assessment has been modified to reflect the Association's financial performance.

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 that 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 2022-2026 PROGRESS

Serving Customers

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 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 that 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 our service provision which 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 which will support it.

We have completed a systematic review of our service offer and, in consultation with our customers, established principles and standards for the service that we will provide, and have 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 our 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 of homes which transferred to us from other housing associations during the year. We use the insight from these surveys to directly inform service improvements and regularly report through customer email newsletters on how we have used customer 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 which 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 in which we organised repairs. We have been preparing to implement a new system which 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 tenants. The Foundation Committee have reaffirmed their commitment to supporting the provision of debt advice through funding to Citizens Advice which enables us to refer tenants 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 which provide specialist support for tenants with complex mental health problems, and for those with hoarding behaviours. We have also continued our support to food banks in the areas where we work, and to projects which 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 Housing Associations Charitable Trust to customers suffering immediate fuel poverty challenges.

We have budgeted to continue the grant 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 demand 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.

Building new homes

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 into our portfolio 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 which 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.

Safe and sustainable homes

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 Home 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 a less efficient home, 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 customers 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.

Making the best use of resources

Our objective is to ensure that we organise all of 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 whilst 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 drawndown debt is now on low fixed rates. Our gearing is at 53.0%.

Our operating margin (excluding sales) is 39.0% against a target of 43%. 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 £661 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, 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 which 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 which 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 which 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) and Financial Performance

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

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

VFM is about understanding what costs are being incurred, what drives those costs and what they deliver. VFM measures ensure we plan effectively and manage our business and operations in a cost-effective manner, making the best use of the resources available to us to provide quality homes and services which meet housing needs. We monitor the sector scorecard metrics as well as operational performance throughout the year. We have benchmarked against our peers in the South East and our performance for the year is shown in the table on page 13.

Our key VFM metrics are provided below:

Delivery of new homes

We have increased the number of homes we manage from 15,482 to 15,870 in the year, including the purchase of 326 homes from another Registered Provider completed in early March 2022. Our portfolio is now more concentrated around Buckinghamshire, Hertfordshire and areas within Oxfordshire which will support greater efficiency in the management and maintenance of our homes.

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 during the year 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 at budget of £3.5m. During the year we disposed of a site that was under construction, generating a surplus of £1.5m.

Operating margin

Our operating margin is 44.0% 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 just under target of £3,605, at £3,625 (2021: £3,370). The increase from the previous year is driven by both higher repairs costs and increased demand for repairs by customers.

Management cost per unit

Our management cost per unit has increased to £661 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 173.3% (2021: 155.2%) reflects the increased operating costs incurred, offset by lower interest costs as a result of the refinancing during the year.

Gearing ratio

Our gearing ratio is 53.0% (2021: 50.9%). Our overall 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.

Summary VFM Table

Performance measure	Target	2022	2021	Peer Group Median 2021
Operating margin (overall)	>43.5% Turnover	44.0%	56.0%	28.2%
Operating margin (social housing lettings)	>44% Turnover	38.4%	41.6%	31.0%
Headline Social housing cost per unit	£3,605	£3,625	£3,370	£4,062
Interest cover (EBITDA-MRI) (including refinancing costs)	182.8%	173.3%	155.2%	188.7%
Interest cover (EBITDA-MRI) (excluding refinancing costs)	182.8%	83.5%	155.2%	188.7%
Gearing	<55%	53.0%	50.9%	47.9%
New supply delivered – social housing	2.2%	1.5%	1.8%	1.8%
New supply delivered – non-social housing	0.0%	0.0%	0.19%	0.16%
Return on Capital Employed (including gain on stock swap)	3.4%	3.4%	5.8%	3.3%
Return on Capital Employed (excluding gain on stock swap)	3.4%	3.4%	3.3%	3.3%
Reinvestment	3.3%	3.3%	3.8%	5.9%

Our continued financial strength

Our overall result for the year was a loss of £9.3m (2020/21 surplus of £55.5m). The loss for the year is stated after inclusion of £32.5m incurred as part of debt re-financing in May 2021. On a like-for-like basis (excluding the repayment 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 £23.2 compared to £20.2m an improvement of £3.0m.

During the year income from first tranche and other sales totalled £44.3m (2021: £51.6m), delivering a margin of 27.5% (2021: 7.4%). Excluding the sale of the development site, the total was £29.3m with a margin of 35.8%. 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 £9.1m. However, underlying housing properties increased by £58.6m as we developed 225 new homes and acquired a further 326 from another Registered Provider.

Following the refinancing in June 2021, our net debt increased by £75.4m. We will see the benefit of the reduced interest rates over the next few years.

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	Drawn	Undrawn
	£m	£m	£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.

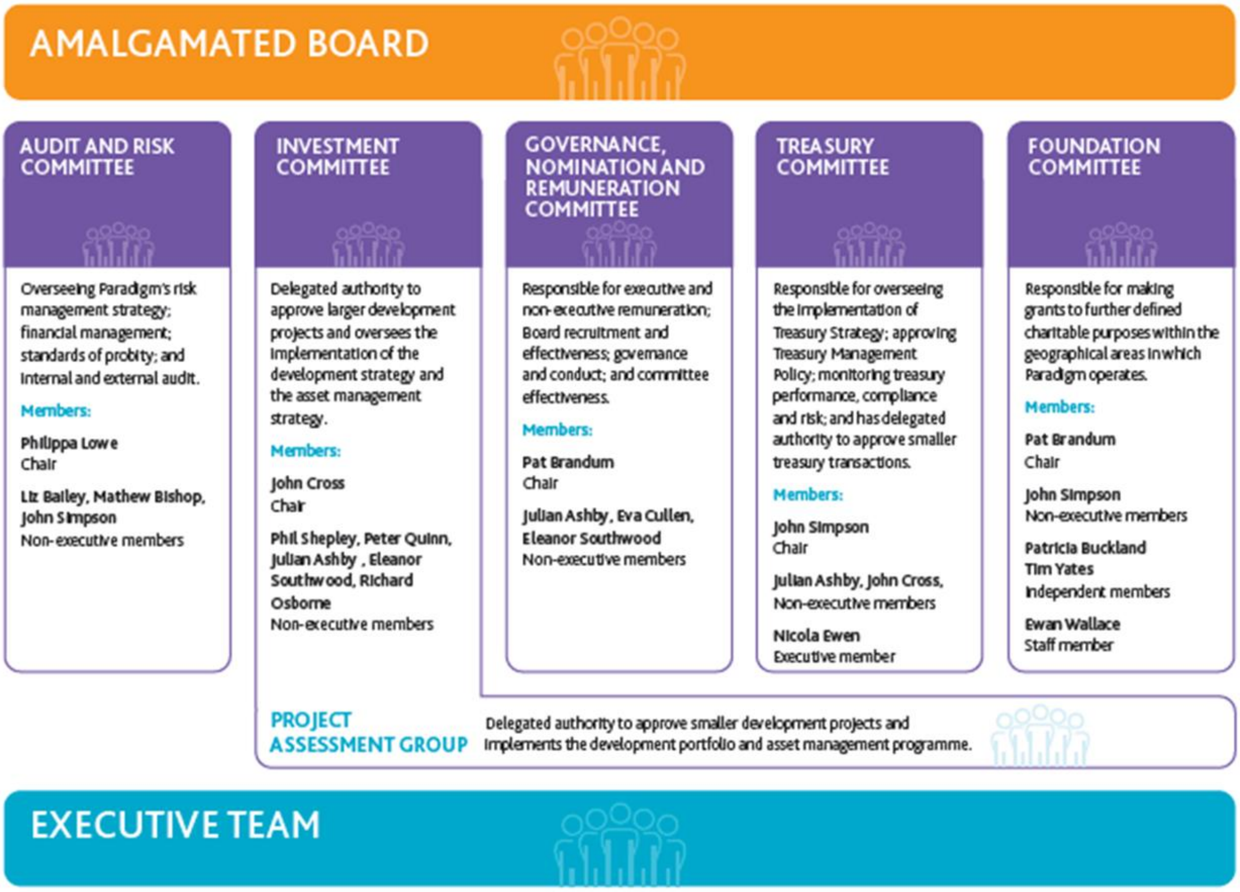
SUSTAINABILITY AND ENERGY REPORTING

Paradigm is committed to improving our sustainability performance and this is reflected in our Corporate Plan. We have adopted the principles and guidance of the governments Streamlined Energy and Carbon Reporting (SECR). Whilst, gas emissions and energy use data is shown below, Paradigm Home Charitable Housing Association meets the SECR criteria, it is a subsidiary of Paradigm Housing Group Limited and is covered by the Group Report.

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 CO2e		
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 CO2e - purchased electricity	**74.41**	**77.65**
Scope 3 emissions in metric tonnes CO2e -Business travel in employee & rental vehicles	**31.72**	**27.66**
Total gross emissions in metric tonnes CO2e	**913.51**	**804.85**
Intensity ratio Tonnes CO2e per property	**0.07**	**0.07**

GOVERNANCE



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.

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

The Group adopted the National Housing Federation's Code of Governance 2020 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 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 and are summarised below.

Risk	Comments	Mitigation
Failure of Health and Safety Management Systems	The health and safety of our customers, staff and contractors remains a key concern, especially in light of more general failings across the property sector highlighted in the Hackitt Review of Building Regulations.	The Group remains committed to complying with recommendations made by fire authorities, other health and safety authorities and Government. The compliance testing programme is monitored closely by the Audit and Risk Committee and the Board.
Construction Industry Capacity and Operating Costs	A combination of Brexit and Covid-19 have negatively impacted the construction industry's capacity in 2021. 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 over run 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 constantly monitors sales performance and make where necessary 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 it 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 1 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 Association'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 Association's operations which are recharged to the Association.

We have considered the impact that current inflationary pressures and economic situation (including the current situation in Ukraine) have had on the Association's 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 Association will continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

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

The board 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 legislation require the Board members to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws).

In preparing those financial statements the Board members are required to:

- select suitable accounting policies and apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers: Housing SORP 2018 (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is in appropriate to presume that the Association will continue in business

The Board members are responsible for keeping proper accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing Regeneration Act 2008 and the Accounting for Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Association'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 corporate and financial information on the Association's website is the responsibility of 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARADIGM HOMES CHARITABLE HOUSING ASSOCIATION LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of the Association'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 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 Homes Charitable Housing Association Limited ("the Association") for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, 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 Association 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 Association'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 assessed 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 Association'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

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	Financial statements as a whole: £2.7m based on 5% of adjusted operating surplus.	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Association and its environment, including the 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.

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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
The recoverable amount of property developed for sale is materially misstated As described in Note 1 (Accounting Policies) and Note 13 (Properties for sale), the Association carries property developed for sales at the lower of cost and net realisable value. As at 31 March 2022, the Association 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.	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.	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: • 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. • 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* 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.

The recoverable amount of housing property is materially misstated As described in Note 1 (Accounting Policies) and Note 10 (Tangible fixed assets), the Association 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 Association, its recoverable amount is its fair value less costs to sell. The Association 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. • 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:

	Association financial statements
	2022 £m
Materiality	2.7
Basis for determining materiality	Adjusted operating profit
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.
Performance materiality	1.6
Basis for determining performance materiality	60% of materiality This was considered appropriate based on: • cumulative knowledge of the Association • degree of estimation in financial statements.

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 Association;
- a satisfactory system of control has not been maintained over transactions;
- the Association 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 is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association 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 Association and the sector in which it operates we considered the risk of acts by the Association 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 Association 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 Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019).

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 (see Key Audit Matter above), useful lives of depreciable assets, 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 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 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 Association, 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 Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the 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, Statutory Auditor
Gatwick, United Kingdom.
15 September 2022

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

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022			2021		
		£'000	£'000	£'000	£'000	£'000	£'000
		Ordinary activities	Exceptional items	Total	Ordinary activities	Exceptional Items	Total
Turnover	2	115,964	-	115,964	149,344	-	149,344
Cost of sales	2	(11,627)	-	(11,627)	(47,779)	-	(47,779)
		-					
Operating costs	2	(62,023)	-	(62,023)	(57,861)	-	(57,861)
Gain on disposal of properties	2, 4	8,726	-	8,726	4,696	-	4,696
Gain on stock swap	2, 4	-	-	-	-	35,281	35,281
Operating surplus	8	**51,040**	**-**	**51,040**	**48,400**	**35,281**	**83,681**
Interest receivable and other income	6	1,841	-	1,841	2,076	-	2,076
Interest payable and similar charges	7	(28,888)	-	(28,888)	(30,056)	-	(30,056)
Cost of debt refinancing	7	-	(32,505)	(32,505)	-	-	-
Movement in fair value of investments	12	(805)	-	(805)	(245)	-	(245)
Surplus and total comprehensive income for the year		**23,188**	**(32,505)**	**(9,317)**	**20,175**	**35,281**	**55,456**

The accompanying notes form part of these financial statements.
The financial statements were approved and authorised for issue by the Board 14 July 2022 and signed on their behalf by:

Julian Ashby
Chair

Matthew Bailes
Chief Executive

Ewan Wallace
Secretary

STATEMENT OF CHANGES IN RESERVES

	Revenue reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2020	**549,102**	**85,352**	**634,454**
Total comprehensive income	55,456	-	**55,456**
Transfer from revaluation reserve to revenue reserve	26,212	(26,212)	**-**
Balance as at 1 April 2021	**630,770**	**59,140**	**689,910**
Total comprehensive income for the year	(9,317)	-	**(9,317)**
Transfer from revaluation reserve to revenue reserve	817	(817)	**-**
Balance as at 31 March 2022	**622,270**	**58,323**	**680,593**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2022	2021
		£'000	£'000
Tangible fixed assets			
Housing properties	10	1,442,408	1,383,807
Other tangible fixed assets	11	15,300	11,132
		1,457,708	1,394,939
Investments	12	32,374	33,157
		1,490,082	1,428,096
Current assets			
Short term investments	12	858	523
Properties for sale	13	9,975	8,176
Debtors	14	10,478	15,581
Cash and cash equivalents		31,258	35,823
		52,569	60,103
Creditors: amounts falling due within one year	15	(33,851)	(48,230)
Net current assets		18,718	11,873
Total assets less current liabilities		1,508,800	1,439,969
Creditors: amounts falling due after more than one year	16	(825,507)	(750,059)
Provisions	19	(2,700)	
Total Net Assets		**680,593**	**689,910**
Capital and reserves			
Called up share capital	20	-	-
Revaluation reserve		58,323	59,140
Revenue reserve		622,270	630,770
Total Reserves		**680,593**	**689,910**

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** **Chief Executive**	**Ewan Wallace** **Secretary**

STATEMENT OF CASH FLOWS

	Notes	2022 £'000	2021 £'000
Net cash generated from operating activities	25	80,263	117,795
Cash flow from investing activities			
Purchase of fixed assets – housing properties		(92,026)	(51,878)
Cash received on stock swap		-	3,603
Purchase of fixed assets – other		(5,259)	(1,769)
Grants received		3,184	1,517
Grants repaid		(996)	-
Interest received		1,841	2,075
		(93,256)	(46,452)
Cash flow from financing activities			
Interest paid		(31,051)	(33,042)
Breakage fees paid		(29,752)	-
Receipts from/(Payments to) short term investment		-	5,882
New borrowings		248,462	-
Repayment of borrowings		(179,231)	(20,471)
		8,428	(47,631)
Net change in cash and cash equivalents		(4,565)	23,712
Cash and cash equivalents at the beginning of the year		35,823	12,111
Cash and cash equivalents at the end of the year		**31,258**	**35,823**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Legal status

The Association is a Community Benefit Society and is registered with both the Regulator of Social Housing and the Registrar of Co-operative and Community Benefit Societies.

Registered office and principal place of business: 1 Glory Park Avenue, Wooburn Green, Buckinghamshire, HP10 0DF

Principal activities

The Association's principal activities are:

- the provision of affordable general needs housing for all age groups
- low-cost home ownership (primarily shared ownership)
- temporary or permanent housing solutions to address homelessness issues
- hostel and foyer accommodation for single and young people.

Basis of accounting

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

Segmental reporting

The Association'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 Association. Refer to Note 2 for further disclosed information.

Going concern

We undertake extensive stress testing of the Association'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 Association's operations which are recharged to the Association.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

We have considered the impact that current inflationary pressures and economic situation (including the current situation in Ukraine) have had on the Association's 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 Association will continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

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

Significant management judgements

Impairment of housing properties

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

Estimates

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

Stock

Stock and properties held for sale are carried at the lower of cost or net realisable value. Management assesses 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

Trade receivables – management exercises 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 into account the age profile of the debt, historic collection rates and the class of the debt.

Allocation of costs

Appropriate 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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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.

Group accounts

The accounts of the subsidiaries are not consolidated within these accounts as the Association's voting rights are controlled by Paradigm Housing Group Ltd (the Group), the parent entity. Consolidated accounts are prepared for the parent entity and include Paradigm Homes Charitable Housing Association Limited and its subsidiaries.

Related party transactions

The Association has taken advantage of the exemptions permitted under FRS 102 - 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 28.

Turnover and revenue recognition

Turnover 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 are 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.

Taxation

As a registered charitable Community Benefit Society, the Association is exempt from taxation on its ordinary activities.

Value Added Tax (VAT)

The Association is a member of a group VAT registration and VAT which is charged on some of its income and recovered on some of its expenditure, is recorded by the parent company. The financial statements include VAT to the extent that it is suffered by the Association 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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Properties for sale

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

Interest payable

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

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

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

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

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

Fixed asset investments

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

Donated land

Land and other assets donated by local authorities and other government sources is added to cost at the fair value of the land at the time of the donation. Where the land is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as non-monetary grant and recognised in the Statement of Financial Position as a liability. The terms of the donation are deemed to be performance related conditions. Where the donation is from a non-public source, the value of the donation is included as income.

Housing properties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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 current asset and related sales proceeds are included in turnover, and the remaining element is classed as a fixed asset and is included in housing properties at cost, less any provisions needed for depreciation or impairment.

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 recycling the grant in the event of the housing properties being disposed.

Depreciation of housing properties

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

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

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

Freehold land is not depreciated.

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

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

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure. Where an asset is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell. The Association considers local authorities' areas to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2018.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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 useful economic lives. The expected useful economic lives were:

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

Government grants

Government grants include grants receivable from Homes England (HE), local authorities and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model.

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

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to the Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Nomination grants

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Other grants

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

Cash and cash equivalents

Cash and cash equivalents 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 Association 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 Association it is not included in the financial statements.

Revaluation reserves

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

Operating leases

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

Financial instruments

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

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association 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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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. PARICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2022			
	Turnover	Cost of sales	Operating expenses	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	96,638	-	(59,496)	37,142
Other social housing activities				
Supporting people contract income	139	-	(18)	121
Corporate Services	-	-	(44)	(44)
Sale of first tranche properties	15,346	(11,627)	-	3,719
Other support services	13	-	-	13
Office equipment, other rental and licence fees	188	-	(646)	(458)
	15,686	(11,627)	(708)	3,351
Non-social housing activities				
Lettings	3,640	-	(1,819)	1,821
	3,640	-	(1,819)	1,821
Gain on disposal of properties	-	-	-	8,726
	115,964	(11,627)	(62,023)	51,040

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (CONTINUED)

	2021			
	Turnover	Cost of sales	Operating expenses	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	92,604	-	(54,088)	38,516
Other social housing activities				
Supporting people contract income	129	-	(36)	93
Corporate Services	-	-	(89)	(89)
Sale of first tranche properties	13,570	(10,107)	-	3,463
Other support services	13	-	-	13
Office equipment, other rental and licence fees	201	-	(1,252)	(1,051)
	13,913	(10,107)	(1,377)	2,429
Non-social housing activities				
Outright property sales	38,000	(37,672)	-	328
Lettings	4,827	-	(2,396)	2,431
	42,827	(37,672)	(2,396)	2,759
Gain on disposal of properties	-	-	-	4,696
Gain on stock swap	-	-	-	35,281
	149,344	(47,779)	(57,861)	83,681

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (CONTINUED)

Particulars of income and expenditure from social housing lettings

	2022				2022	2021
	General needs housing	**Supported housing**	**Temporary social housing**	**Low cost home ownership**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income:						
Rent receivable net of identifiable service charges	72,982	777	3,634	10,208	87,601	84,914
Service charge income	4,458	351	-	1,233	6,042	4,352
Fees	-	-	2,344	-	2,344	2,718
Amortised government grants	393	-	-	-	393	393
Rechargeable works	211	-	-	-	211	370
Other revenue grants	47	-	-	-	47	(143)
Turnover from social housing lettings	78,091	1,128	5,978	11,441	96,638	92,604
Operating costs						
Management	6,699	449	804	1,886	9,838	9,452
Service charge costs	5,203	(4)	-	1,439	6,638	5,009
Routine maintenance	13,038	-	94	-	13,132	10,815
Planned maintenance	9,924	-	3	-	9,927	10,610
Bad debts	273	-	(42)	-	231	459
Property lease charges	-	-	4,901	-	4,901	5,432
Depreciation of housing properties	11,829	33	-	-	11,862	9,569
Impairment	-	-	-	-	-	587
Accelerated depreciation on components	983	-	-	-	983	202
Other costs	1,984	-	-	-	1,984	1,953
Operating costs on social housing lettings	49,933	478	5,760	3,325	59,496	54,088
Operating surplus on social housing lettings	28,006	650	218	8,268	37,142	38,516
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:

	2022 No of units	2021 No of units
General needs housing - social and intermediate rent	9,241	8,979
General needs housing - affordable rent	2,508	2,384
Supported housing and housing for older people	163	170
Low cost home ownership	2,648	2,575
Temporary social housing - short leasehold	54	47
Total social housing owned	**14,614**	**14,155**
Temporary social housing - short leasehold	234	333
Accommodation managed for others	32	37
Total social housing managed	**14,880**	**14,525**
Market rented properties	287	287
Leasehold properties	703	670
Total non-social housing owned and managed	**990**	**957**
Total housing owned and managed	**15,870**	**15,482**
Accommodation in development at the year end		
General needs housing	551	552
Low cost home ownership	273	325
Total under development	**824**	**877**

3. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT (CONTINUED)

	2021 No of units	Disposals	Movement Between Categories	Additions	2022 No of units Total
General needs housing - social and intermediate rent	8,979	(12)	(7)	281	9,241
General needs housing - affordable rent	2,384	(3)	3	124	2,508
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 - short leasehold	47	-	7	-	54
Total social housing owned	**14,155**	**(62)**	**(16)**	**537**	**14,614**
Temporary social housing - short leasehold	333	(98)	(1)	-	234
Accommodation managed for others	37	(5)	-	-	32
Total social housing managed	**14,525**	**(165)**	**(17)**	**537**	**14,880**
Market rented properties	287	-	-	-	287
Leasehold properties	670	-	17	14	703
Total non-social housing owned and managed	**957**	**-**	**17**	**14**	**990**
Total housing owned and managed	**15,482**	**(165)**	**-**	**551**	**15,870**

4. SURPLUS ON SALE OF FIXED ASSETS

	2022 Shared Ownership Staircasing	2022 Other Housing Properties	2022 Total	2021 Total
	£'000	£'000	£'000	£'000
Stock Swap				
Sales proceed	-	-	-	146,472
Cost of Sales	-	-	-	(111,191)
Surplus	**-**	**-**	**-**	**35,281**
Other Sales				
Sales proceed	9,442	19,473	28,915	9,340
Cost of Sales	(5,640)	(14,549)	(20,189)	(4,644)
Surplus	**3,802**	**4,924**	**8,726**	**4,696**

5. DIRECTORS AND EMPLOYEES

The emoluments of the directors are paid by Paradigm Housing Group Limited (the parent company) and their costs are not recharged to the Company. Their total emoluments are disclosed in the financial statements of Paradigm Housing Group Limited.

Staff are employed across the Group and are paid by the parent company. There were 161 (2021: 148) employees within the Group dedicated solely to the company’s business and staff costs of £4,686k (2021: £4,293k) were recharged to the Company.

6. INTEREST RECEIVABLE AND OTHER INCOME

	2022	2021
	£'000	£'000
Investment income (gift aid from subsidiary)	1,276	1,555
Interest receivable from short term deposits	299	255
Interest receivable from group companies	266	266
	1,841	**2,076**

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2022	2021
On bank loans, overdrafts and other loans:	**£'000**	**£'000**
Repayable within five years:		
Interest payable to group companies	522	491
Interest on loans	4,993	970
Repayable in more than five years	24,695	31,472
Early repayment charge	29,752	-
Other refinancing costs	2,753	-
	62,715	32,933
Interest capitalised on properties in the course of construction	(1,322)	(2,877)
	61,393	**30,056**
Capitalisation rate used to determine the finance costs capitalised during the Period	4.75%	4.4%

8. OPERATING SURPLUS

	2022	2021
The operating surplus is stated after charging:	£'000	£'000
Depreciation of housing properties	11,862	9,569
Accelerated depreciation on replacement of components	983	202
Depreciation of other fixed assets	1,091	955
Impairment of housing properties	(676)	587
Lease Rental (Note 26)	5,406	5,406
Auditor's remuneration (excluding VAT):		
Fees payable to the Association's auditor for the audit of the financial statements	50	51

9. TAXATION

As a registered Charitable Community Benefit Society, the Association is exempt from Corporation Tax on its surplus.

10. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

	Housing properties held for letting	Housing properties for letting under construction	Completed shared ownership properties	Shared ownership properties under construction	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2021	1,277,729	24,914	168,288	67,836	1,538,767
Adjustment to opening balance*	(20,764)	21,202	40,638	(39,576)	1,500
At 1 April 2021 (restated)*	1,256,965	46,116	208,926	28,260	1,540,267
Additions	-	35,882	-	11,313	47,195
Component replacement	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 disposal	(1,729)	(13,467)	(5,640)	-	(20,836)
Component disposal	(2,170)	-	-	-	(2,170)
Purchase of properties from another RP	39,053	-	247	-	39,300
At 31 March 2022	**1,317,693**	**48,488**	**219,256**	**23,150**	**1,608,587**
Less depreciation and impairment					
At 1 April 2021	153,437	1,523	-	-	154,960
Adjustment to opening balance				1,500	1,500
At 1 April 2021 (restated)*	153,437	1,523	-	1,500	156,460
Impairment for the year	-	824	-	(1,500)	(676)
Charge for the year	11,862	-	-	-	11,862
Housing properties disposal	(280)	-	-	-	(280)
Component replacement	(1,187)	-	-	-	(1,187)
At 31 March 2021	**163,832**	**2,347**	**-**	**-**	**166,179**
Net book value at 31 March 2022	**1,153,861**	**46,141**	**219,256**	**23,150**	**1,442,408**
Net book value at 31 March 2021	**1,103,528**	**44,593**	**208,926**	**26,760**	**1,383,807**

*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 impairment credit is due to the reversal of the impairment on the sale of 2 sites that had previously been impaired.

10. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

	2022	2021
	£'000	£'000
Freehold land and buildings	1,357,881	1,300,099
Long leasehold land and buildings	82,638	81,785
Short leasehold land and buildings	1,889	1,923
	1,442,408	**1,383,807**

Expenditure on works to existing properties	**2022**	**2021**
	£'000	£'000
Amounts capitalised	5,288	4,557
Amounts charged to income and expenditure	23,059	21,425
	28,347	**25,982**

	2022	2021
	£'000	£'000
Social housing assistance		
Total accumulated social housing grant received or receivable at 31 March:		
Held as deferred income (Note 18)	36,802	36,677
Held as income and expenditure reserve	310,411	310,917
	347,213	347,594

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**	**2021**
	£'000	£'000
Historical cost	1,550,264	1,479,627
Less: depreciation	(166,179)	(154,960)
Historical cost net book value	1,384,085	1,324,667
Revaluation reserve	58,323	59,140
Net book value at 31 March	1,442,408	1,383,807

11. OTHER FIXED ASSETS

	Freehold office properties	Leasehold office improvements	Computers, equipment, fixtures and vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2021	12,321	1,609	5,496	19,426
Additions	-	-	5,259	5,259
At 31 March 2022	**12,321**	**1,609**	**10,755**	**24,685**
Depreciation				
At 1 April 2021	4,795	1,113	2,386	8,294
Charge for the year	411	52	628	1,091
At 31 March 2022	**5,206**	**1,165**	**3,014**	**9,385**
Net book value at 31 March 2022	**7,115**	**444**	**7,741**	**15,300**
Net book value at 31 March 2021	**7,526**	**496**	**3,110**	**11,132**

12. INVESTMENTS

The long-term investments comprise cash deposits, listed investments and gilt-edged stock which are held in accordance with the terms of the Associations funding from Haven 32, The Housing Finance Corporation and Affordable Housing Finance Plc. The security trustee has a charge over these investments. These reserves cannot be utilised for any purpose other than servicing the associated debt and are held at valuation. The cost of these investments was £8,210k (2021: £8,210k).

The short-term investments represent cash reserves held as substitutes for charged stock. These reserves cannot be utilised for any purpose other than servicing the associated debt.

	Shares in subsidiary	Cash deposits	Listed investments	Gilts	Total
	£'000	£'000	£'000	£'000	£'000
Movement of long term investments:					
At 1 April 2021	22,786	3,760	596	6,015	33,157
Additions	-	-	-	-	-
Withdrawals	-	-	-	-	-
Interest	-	22	-	-	22
Movements in Fair Value	(241)	-	(54)	(510)	(805)
At 31 March 2022	**22,545**	**3,782**	**542**	**5,505**	**32,374**

Details of subsidiary entities are shown in note 27.

12. INVESTMENTS (CONTINUED)

	2022	2021
Short term investments:	**£'000**	**£'000**
Sinking funds	858	523
	858	**523**

13. PROPERTIES FOR SALE

	2022	2021
	£'000	**£'000**
Shared ownership properties under construction	7,811	7,265
Shared ownership completed properties	2,164	911
	9,975	**8,176**

14. DEBTORS

	2022	2021
	£'000	**£'000**
Current tenant arrears:		
Association properties	4,056	4,209
Former tenant arrears:		
Association properties	716	530
Total rental debtors	4,772	4,739
Less bad debt provision	(1,630)	(1,500)
	3,142	3,239
Social Housing Grant receivable	25	25
Amounts owed by group entities	3,622	10,084
Prepayments and accrued income	2,125	2,136
Other debtors	1,564	97
	10,478	**15,581**

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£'000	£'000
Loans repayable (note 22)	3,653	5,794
Rent and service charges in advance	4,152	4,292
Other Creditors	1,239	1,194
Amounts owed to group entities	11,453	24,274
Recycled Capital Grant Fund (note 17)	388	1,164
Deferred grant (note 18)	470	452
Accruals and deferred income	12,496	11,060
	33,851	**48,230**

16. CREDITORS – AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	2022	2021
	£'000	£'000
Bank loans and borrowings (note 22)	781,296	708,366
Net premiums on bonds issue	6,560	6,804
Deferred income	226	245
Recycled Capital Grant Fund (note 17)	1,093	1,359
Deferred grant (note 18)	36,332	33,285
	825,507	**750,059**

Of the loans and borrowings due after more than one year and drawn down at 31 March 2022, £781,296k (2021: £708,366k) 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 with interest rates varying from 0.32% to 1.05% above SONIA)

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 16 years remaining.

17. RECYCLED CAPITAL GRANT FUND

		HE		GLA		TOTAL	
		2022	**2021**	**2022**	**2021**	**2022**	**2021**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'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:	New build	(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. £338k (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.

18. DEFERRED CAPITAL GRANT

	2022			2021		
	Completed Schemes £'000	**Under Construction £'000**	**Total £'000**	**Completed Schemes £'000**	**Under Construction £'000**	**Total £'000**
At 1 April	24,220	9,517	33,737	25,096	11,640	36,736
Grant receivable in the year	-	3,184	3,184	-	1,517	1,517
Grant recycled in the year	-	437	437	-	660	660
Transfer to completed scheme	5,788	(5,788)	-	3,744	(3,744)	-
Disposal	(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 in 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**

19. PROVISIONS

	2022 £'000	2021 £'000
At 1 April	-	-
Additions	2,700	-
At 31 March	**2,700**	**-**

20. NON-EQUITY SHARE CAPITAL

	2022 £	2021 £
Allotted, issued and fully paid		
At 1 April	15	10
Prior year adjustment	-	5
Issued during the year	2	-
Cancelled during year	(2)	-
At 31 March	**15**	**15**

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

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.

21. CAPITAL COMMITMENTS

	2022 £'000	2021 £'000
Capital expenditure contracted for but not provided in the financial statements	162,869	82,984
Capital expenditure authorised by the Board but not contracted	34,969	79,319
	197,838	**162,303**

The above commitments will be financed primarily through unit sales of £36.1m (2021: £nil), short term investments of £nil (2021: £20m) borrowings of £161.4m (2021: £182.3m) which are available for draw-down under existing loan arrangements (note 22).

There are contingent liabilities of £50,208k 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 10. These amounts may need to be recycled or repaid if the properties they relate to are disposed of.

22. LOANS AND BORROWINGS

	Bank loans £'000	Capital Markets £'000	Financing costs £'000	Total £'000
Borrowings				
Debt due within one year	3,504	149	-	3,653
In more than one year but not more than two years	3,679	160	(21)	3,818
In more than two years but not more than five years	14,652	551	(59)	15,144
In more than 5 years	247,012	515,472	(150)	762,334
Total	**268,847**	**516,332**	**(230)**	784,949

Of the loans and borrowings due after more than one year, £784,499k (2021: £729,138k) is fixed with interest rates varying from 1.9% to 7.0%. There was no debt (2021: £33,438k) with variable rate.

23. BORROWING FACILITIES

The Association has undrawn committed borrowing facilities. The facilities available at 31 March were:

	2022 £'000	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**

24. NET DEBT

	At 1st April 2021 £'000	Cashflows £'000	Reclassification of debt £'000	At 31st March 2022 £'000
Cash and cash equivalents				-
Cash	35,823	(4,565)		31,258
	35,823	**(4,565)**	**-**	**31,258**
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	**678,337**	**75,354**	**-**	**753,691**

25. NET CASH GENERATED FROM OPERATIONS

	2022	2021
	£'000	£'000
Surplus for the year	(9,317)	55,456
Adjustment for non-cash items:		
Depreciation of housing properties	11,862	9,569
Impairment charges	-	587
Depreciation of other fixed assets	1,091	955
Decrease/(increase) in debtors	4,298	(8,572)
Decrease/(increase) in creditors	(9,271)	12,454
Increase in properties for sale	(1,799)	50,296
Increase in provision	2,700	-
Movement in fair value of investments	803	220
Component write off	983	202
Grant amortisation	(382)	(393)
Grant recycled	(437)	-
Amortisation of Loan issue costs		(234)
Non-cash movement on the stock swap	-	(35,281)
Profits from sales of tangible fixed assets	(8,726)	(4,696)
Proceeds for sale of housing properties	28,915	9,252
Interest payable	28,888	30,056
Refinancing costs payable	32,505	-
Interest receivable	(1,850)	(2,076)
Net cash generated from operations	**80,263**	**117,795**

26. LEASING COMMITMENTS

The future minimum lease payments and income of leases are as set out below. Leases relate to temporary housing properties leased from landlords and shared ownership customers.

Operating lease payments are as follows:

Operating lease payments are as follows:	2022 £'000	2021 £'000
Within one year	1,504	3,307
Between one and five years	726	2,279
Leases expiring after more than five years	-	-
	2,230	**5,586**

Shared ownership lease income is as follows:	2022 £'000	2021 £'000
Within one year	135	123
Between one and five years	538	493
Leases expiring after more than five years	1,717	1,386
	2,390	**2,002**

27. SUBSIDIARIES

The following entities are wholly owned subsidiaries:

Company	Country of registration	Principal activity	Class of share	% of shares held
Paradigm Commercial Ltd	England	Provision of housing for sale or rent	Ordinary	100%
Mary Bailey-Smith Almshouses	England	Provision of almshouses	N/A	N/A

The Association is a subsidiary of Paradigm Housing Group Limited due to the Group's dominant influence and control and is consolidated within the Group's financial statements. Therefore, it is exempt from the requirement to prepare consolidated financial statements.

28. RELATED PARTY DISCLOSURES

The Association purchases property development services from Paradigm Development Services Limited (PDSL), a related undertaking of Paradigm Housing Group Limited, and purchases property maintenance services from Paradigm Maintenance Limited (PML), a non-regulated subsidiary of Paradigm Housing Group Limited. PDSL, Paradigm Commercial Limited, formerly Paradigm Commercial Plc (PCL) and PML share the same ultimate parent undertaking as the Association and transactions between the entities during the year were as follows:

	2022	2021
	£'000	£'000
PDSL - development services	30,088	30,919
PML - maintenance services and investment works	29,141	20,555
PCL - interest	512	482
	59,741	**51,956**

During the year £nil (2021: £nil) was received in donations from PDSL and £1,277k (2021: £1,550k) was paid from PCL to Paradigm Homes Charitable Housing Association in relation to 2020/21 profits.

29. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling entity is Paradigm Housing Group Limited which is a Community Benefit Society and is registered with both the Regulator of Social Housing (registration number L4215) and the Registrar of Co-operative and Community Benefit Societies (registration number 28844R). Copies of the consolidated financial statements are available from Paradigm Housing Group Limited, whose registered address is: 1 Glory Park Avenue, Wooburn Green, Bucks, HP10 0DF.

30. LEGISLATIVE PROVISIONS

The Association 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.