Paradigm Homes Charitable Housing Association Limited

Report and Financial Statements
For the Year Ended 31 March 2023

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
Amina Graham (appointed 1 April 2023)
Mike Johnson (appointed 1 April 2023)
Simon Jones (appointed 16 November 2022)
Philippa Lowe
Peter Quinn
Richard Osborne
Eleanor Southwood
John Cross (resigned 31 March 2023)
Eva Cullen (resigned 31 August 2022)
John Simpson (resigned 31 March 2023)

Senior Executives
Matthew Bailes - Chief Executive
Patrick Dawson - Chief Information Officer
Nicola Ewen – Chief Financial Officer
Martyn Jones – Executive Director of Development
Justin McCarthy - Executive Director of Property Services
Hannah Manyewu – Executive Director of Customer
Sarah Nickson - Executive Director of Strategy & Business Services

Company Secretary
Ewan Wallace

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Trowers and Hamlins LLP

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Jones Lang Lasalle

Main Banker
Barclays Bank plc

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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 2023.

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

We have continued during 2022/23, the second year of our Corporate Plan period, to focus on managing our business and our transformation programme to make steady and purposeful progress to achieving our corporate objectives.

The external environment has continued to prove challenging. The cost-of-living crisis, much higher levels of inflation and increasing interest costs has put increased pressure on our ability to meet our targets and objectives. However, we believe that our prudent approach has put us in a good position to sustain our focus on providing an excellent deal for our customers, supporting them in a challenging cost of living crisis, and continuing to offer safe, sustainable homes, including new homes that expand our business and our capacity to help more people.

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

Working with our customers

During the year we created a new Customer Engagement Framework which supports our Customer Strategy in listening, understanding, and acting on feedback. The Framework includes a new Customer Experience Committee that incorporates customers, as well as the four co-regulation groups – the Readership Panel, Resident Quality Inspectors, New Paradigm Customer Oversight Group and Scrutiny Group.

Last year almost 1,300 customers were directly engaged through 21 different projects that helped scrutinise and improve services. An 154% increase of engaged customers compared to 500 customers in 2021/22.

In terms of scrutiny, the Readership Panel held us to account on customer communications, ensuring we are inclusive and clear with our communication and that all customers receive information in the right format and at the right time.

Our Resident Quality Inspectors are able to access training and support to help them participate in inspections of estates and communities and to assess the facilities and services that we provide. They also make suggestions and recommendations as to how we can improve them.

Our new initiatives such as Time 2 Talk Day and Random Act of Kindness reaching 587 customers, supporting a cultural shift and increased awareness of customer engagement across the business. 52 colleagues volunteered to take part.

A number of initiatives were held to engage customers at particular schemes with local issues, which resulted in improvement action plans, addressing a range of issues from anti-social behaviour to signage and CCTV.

In addition to these, we continue to carry out quarterly customer satisfaction perception surveying, through our partner, IFF, as well as a range of interactional surveys including repairs, ASB, complaints and customer services.

During the final quarter, we started an early transition to the use of the new Tenant Satisfaction Measures, as specified by the Regulator of Social Housing.

Improving our service

During the year we have continued to invest substantial resources in our transformation programme, New Paradigm. This is an investment for the long term – there is a significant IT element to this programme which involves the implementation of a new housing management system, but the main driver for the design and configuration of the new IT system is a practitioner driven review and improvement of the services which we provide to our customers.

We have taken opportunities to make system and service improvements as part of the transformation programme ahead of the full deployment of our new housing management system.

We have continued to implement our Neighbourhood Model for how we deliver services to our customers. This focusses on providing services to customers in response to their needs and preferences with a high-quality customer and neighbourhood management service at its core.

The Model has a series of specialist services which wrap around the core service, in response to particular needs of a customer or neighbourhood. For example, the ASB service has enhanced our approach to managing anti-social behaviour cases with a more proactive focus, taking assertive action when we need to, as well as improved communications and updates to customers on cases. Based on surveys of those who have raised cases with us, we have seen a marked increase in satisfaction levels in the final quarter, both with our handling of those cases and the outcomes. We aim to maintain and further improve our performance in this area.

We have replaced our existing telephony software and transferred to a single system which integrates external calls to Paradigm with our Microsoft Teams software. During the year we have received over 180,000 calls and emails to our Customer Services team, with satisfaction ratings of over 4/5. We will continue to explore the self-service and digital service options the software provides, to continue to respond to customer preferences to contact us and provide choice.

We have also introduced “Paradigm On Track”. This is a mobile phone-based application which sends text-based updates to our customers confirming appointments. It tracks our operatives’ journey to appointments, updating customers with expected arrival times and allowing them to provide specific information on access to their technician. It then sends a text-based survey to customers once the job is completed, allowing us to monitor service quality.

The impact of this has been to significantly reduce both missed appointments (by approximately 25%) and customer calls to our Contact Centre. Customers feedback indicates an average 4.6 out of 5 satisfaction (89.8%) across 3,679 responses.

This is a good example of our general approach which has been to significantly improve our capability and management focus on using data systematically to improve operational performance.

During the year, we have routinely undertaken self-assessments of our approach and procedure in service areas covered by Ombudsman spotlight reports including in relation to damp and mould, engaging with private freeholders and managing agents, and noise nuisance. We have developed action plans to address recommendations where those assessments indicate gaps in our approach.

Supporting our customers

During 2022/23, we recognised the depth of the continuing cost of living pressures on our customers.

Our approach has been to intensify our efforts to provide support to customers who are in the most acute need. We have a Customer Support service with six colleagues focussing on providing welfare benefit advice and support for vulnerable customers, including signposting and referring to specialist agencies.

We focused a grant programme on providing assistance either directly to customers being either the most vulnerable, or in the most severe financial difficulty and into relevant third party services.

Examples of the outcomes include funding assistance to customers by Citizens Advice. Customers in these cases are often in more complicated situations. Our support helped secure benefits payments of over £280,000 in total. Additionally, those customers were often given wider support through this process to stabilise their financial position so as to maintain their tenancy, and in some cases to access other support services.

Our grants programme has also funded services which have helped residents into employment, and to support residents who struggle with hoarding.

We have a clear working method by which we consider whether support needs are relevant when customers contact us. We have promoted awareness and accessibility of the support we offer both directly and through our online support hub.

We consulted with customers to identify their priorities for our Customer Support approach, and this has confirmed a continued focus on financial inclusion (cost of living support), mental health issues and digital inclusion during 2023/24.

Our rent increases for 2023/24 have been capped at 7%, below the actual level of inflation, and we also chose to voluntarily apply the same increase for shared owners.

Our targets and performance

By the end of the Corporate Plan period (2026) our objectives are to achieve:

- General needs customer satisfaction of 88% for those who are our tenants
- Homeowner customer satisfaction of 65% for those who are shared owners or leaseholders
- Satisfaction of 85% with our repairs service

Performance on these measures has remained relatively stable. General needs satisfaction has remained at a level of 80% throughout the year. We continue to focus on the insights which surveying generates for us in relation to how we can improve satisfaction.

Satisfaction with repairs has improved through the course of the year and is ahead of this year's target of 78%. During the course of the year, we invested significantly in our directly employed workforce, which has expanded in a difficult market for recruitment. We have cleared the backlog of repairs from the pandemic to the extent that all categories of repairs – emergency, urgent and non-urgent – are meeting objectives for completion within target times. We are exceeding our 90% target for first time fixes at 91.1%.

The repairs and maintenance service is consistently one of the key drivers of customers' overall satisfaction with Paradigm and is an essential component of us keeping our homes safe and in good condition. Our performance is a reflection of the effort and resource which we allocate to this, and which is consistent with the value that our customers place on it.

It is predicted that as customer satisfaction with the repairs service increases, this will impact on the overall general needs customer satisfaction, taken together with our wider Customer Strategy objectives, including the benefits of our transformation programme.

Homeowner satisfaction has declined slightly compared with last year. This reflects a wider trend within the sector, but it remains below the level we would like to achieve to reflect an improved service to our homeowner customers. We are targeting the areas homeowner customers have told us are most important to them, which are communal repairs, our communications and value for money of our service charges to make improvements during 2023/24.

	2022/23	**2021/22**	**2020/21**
Customer satisfaction (tenants)	80%	80%	84%
Customer satisfaction (shared owners)	52%	55%	56%
Satisfaction with our repairs service	82%	73%	N/a
Complaints upheld	79%	68%	66%
Ombudsman complaints upheld	1	2	1
Relet times average days	18.7	21.5	14.2

We have provided homes to 518 new households during the year – a rate of approximately 3% of our overall stock. Approximately half were new homes being let for the first time and half re-lets of existing homes.

Whilst our overall relet time for the year is over target at 18.7 days (compared with a target of 16), the performance during the final quarter has consistently come in ahead of target following a renewed focus on maximising our capacity to house people in our homes. We have achieved this during a period when we have also had a substantial increase in the number of new homes being let and represents significant service effectiveness.

In relation to complaints, we have fully or partially upheld a large proportion of the 377 complaints which we resolved during the year.

Our objective is to use complaints both as an opportunity to engage genuinely with customers who are unhappy and to put things right where we have got them wrong, and to use the information and insight to improve our services and learn. The volume of complaints we receive reflects our openness to hearing when customers are dissatisfied and our focus on identifying and delivering improvements. This approach means we continue to experience very low incidences of complaints to the Ombudsman being upheld.

Building new homes to help more people

Our strategic view is that the development of new homes is a central part of our corporate mission. It represents the application of our financial resources to main charitable purpose to house as many people in housing need as we sustainably can.

Our Corporate Plan target was to deliver at least 2,250 homes through our development activities and to maintain a pipeline of at least 1,600 homes. However, the external economic environment has posed a substantial challenge to that during the course of the year. Inflation effects have increased the costs of materials and labour in our supply chain, and the increase in interest rates has increased risk in the housing market, as well as having an impact on our investment capacity. The rent cap agreed with Government in the Autumn has also materially impacted our ability to fund new investment over the longer-term, which includes development activity.

Therefore, at the end of the first half of the year, the Board reviewed our investment plans to deliver our strategic objectives, and the assumptions which underpinned these. Our strong financial position has enabled us to continue our commitment to investment in our new homes whilst maintaining our commitment to invest in our existing homes to improve their energy efficiency. However, the Board approved a new Long-Term Plan that will reduce the number of new homes we can prudently delivery during the Corporate Plan period to 1,950 (as opposed to 2,250), which also means we have scaled back our pipeline target (as, positively, we have already contracted and are committed to many of these homes). Beyond the Corporate Plan period, we have also now planned to reduce our expected annual output to 400 homes per year.

During the year, we have handed over 446 homes into management and sale, of which two thirds are for affordable rented tenures, including social rent – this is against a target of 422. We had a significant increase in the rate of handovers in the final quarter, and we expect this to continue through into the first quarter of 2023/24.

The development pipeline at the end of the year was 848 homes, but our position is that, given the reduced annual output target, our development pipeline is nearly at a level where the approved and contracted investment proposals will meet the output targets through to the end of the Corporate Plan period. This then needs to be maintained based on the revised run-rate of 400 homes per annum.

In September of this year, we entered into a joint operating arrangement with Countryside to provide 208 homes in Bishop's Stortford, of which 125 homes will be affordable tenures. This contractual arrangement, the first for us, reflects our ambitions to maximise the number of affordable homes delivered, whilst sharing the benefits and potential risks with our partners.

Given the challenging economic backdrop of increased interest rates and the impact on prospective customers' mortgages, we have continued to make significant progress in marketing our new shared ownership homes, with margins at higher levels than budgeted during the year, and achieving materially more revenue compared to budget. This despite the fact that we sold 103 homes against a target of 106 for the year, which was mainly due to delays in handovers – the homes are forecast to be sold in Q1 of 2023/24.

We have undertaken significant work to improve our processes for securing good quality new homes which are free of defects. Although at the end of the year our defect rate was slightly higher than target at 2.1/property (target 2.0/property), the impact of our changes in aftercare processes and continued focus on quality is feeding through into properties handed over in the second half of the year, which has seen the defect rate improve.

Our processing of defects is one of the biggest impacts on our customers' satisfaction rates with the quality of their new homes, and so whilst we have seen improvements in defects in the second half of the year, satisfaction levels are lagging, and at the end of the year, our satisfaction level was 77.3%, against a target of 85%. The work we have undertaken, and continue to undertake, in improving quality control and in establishing a more customer-focused and coordinated approach to providing post-sale aftercare support, gives us confidence that we will see customer satisfaction increase over 2023/24.

Make sure our homes are safe and sustainable

Providing safe homes

Ensuring full compliance with safety regimes for our homes remains a primary objective for Paradigm.

Our compliance rate with Decent Homes Standard is 99.97%. We have clear diagnosis and plans in place in relation to the small number of homes which do not meet the standard, the majority of which relate to the age of key building components or to thermal comfort, although the most significant single cause of delay is due to customers rejecting the required works.

There has been substantial and justified scrutiny of the condition of homes across the social rented sector which have serious damp and mould problems. We undertook a detailed review of our position to validate our monitoring and internal controls. We have improved our procedures both for surveying and managing damp and mould where it is present, but we have not identified any of the most serious levels of damp and mould in our properties during that review.

To improve reassurance on decency and condition within our homes, we have accelerated our stock condition survey programme with a plan to achieve a 5-year cycle by 2025/26. This is in addition to the numerous interventions we carry out on a daily basis such as repairs, investment programme, voids, compliance checks and proactive data analytics (to identify issues early)

We have maintained full compliance with all principal safety regimes, including gas safety checks, Fire Risk Assessments (FRAs), management of asbestos, lifts and electrical safety.

During the year, we have implemented new arrangements for ensuring full coverage of smoke and carbon monoxide detectors, inspection of fire doors, and the arrangements required for inspection and fire safety in high-rise buildings.

Improving the energy efficiency of our homes

We have significantly improved the completeness and accuracy of our property-level data on energy efficiency, which has improved rather than worsened our reported position. As a result, the proportion of our homes which meet an Energy Performance Certificate (EPC) C rating increased to 73.3% from 69.9% last year.

The equivalent figures for average SAP rating are an increase from 72.23 to 73.29. Our objective is to raise all of our homes to EPC level C by 2030. Of the 3,800 homes which are below this category, we have plans to complete energy efficiency measures for up to 500 of these during the coming year. As we complete more in-depth PAS surveys and validate using new software, we expect the number requiring intervention to be far lower.

We have doubled our planned investment in boiler replacement to ensure our properties have modern and efficient boilers. This will not only improve the energy performance of our homes but also support customers who may be paying higher fuel costs.

Our approved long-term business plan includes over c.£377m of expenditure for the next 30 years to improve energy efficiency across existing stock properties. £162m of this provision is allocated to replace existing components replacements such as windows, boilers and roofs. The remaining provision of £215m is earmarked to achieve carbon neutrality by 2050 over the life of the plan. £40m of the £215m spend is to achieve EPC C by 2030 across our stock where we have the repairs liability. In addition, our current long-term financial plan does not include any benefit from grant funding, and therefore represents a prudent estimate of forecast retrofit cost.

Environmental sustainability

We have made significant progress with wider environmental sustainability objectives that we have set out in our Environmental Sustainability strategy.

We have improved the management and monitoring of waste from our office and from operations activities. We have agreed a waste action plan which provides a route by which we are confident that we can reduce the waste we send to landfill to zero. Whilst the saving is relatively small, this will eliminate the money that we pay for landfill tax costs over the Corporate Plan period and will reduce our reported greenhouse gas emissions.
We have also committed to a policy and action plan to enhance biodiversity across our existing estate, and to put in place effective arrangements to manage Biodiversity Net Gain schemes where these are required for new developments in future.

Our emissions reporting under the Streamlined Energy and Carbon Reporting framework is set out on page 12. Overall, our emissions have decreased by 2% in the year. This is substantially accounted for by a reduction in vehicle emissions, with this being the first full year of operating a wholly hybrid van fleet.

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 continued to manage our finances following the discipline of our financial strategy and business plan.

This includes the extension of our financial management process to align operating budgets with financial projections over a three-year period. This means that we are planning our expenditure as well as investment in homes and our transformation programme to improve the visibility and predictability of our financial position.

We have not had to undertake significant fundraising activity during the year. Our position continues to be that we have a relatively small amount of floating rate debt, which means that most of our borrowing is at low fixed rates. This has substantially mitigated the effects of higher base rates on our interest costs.

We extended our rolling credit facilities by £50m in the year which means we have sufficient liquidity to fund our investment activity through 2023/24 and into 2024/25.

Our gearing is at 55.1% compared with our target of 56%

Although we have significantly recovered our service level in relation to the effects of the COVID-19 pandemic and despite the increases in demand for our services, we have had to apply the same level of rigour to our financial management to adapt to the impacts of significantly higher levels of inflation.

Our operating margin (excluding sales) is 35.9% against a target of 38.9%. The performance below target is principally the effect of increased demand by our customers for our repairs services, higher investment in our homes and higher levels of inflation than expected across our cost base.

Our maintenance costs per property are £1,709 against a target of £1,440, again driven by inflation, particularly in relation to fleet running costs and materials. We also diverted additional resources to this area as a result of increased demand from customers.

Management costs per property is £942 against a target of £761 and is driven by a combination of inflation and one-off project costs in respect of our transformation programme.

Although the impact of inflation on our residents has been serious, we have continued to work with them to keep our arrears to 3.02% compared with our target of 3%. During the year we have funded a wider and more systematic approach to customer support including emergency assistance with food and fuel costs, as well as funding independent debt and benefits advice.

Our transformation programme

During the year we continued our transformation programme that brings together a comprehensive redesign of how we manage and deliver customer services and look after our assets. We are making a significant investment in our business systems to support and enable that wider transformation programme. This programme is a key part of delivering our Corporate Plan

Our new finance business system went live in July 2022 and the configuration stage of our new housing management system is in progress and with planned deployment in the Spring of 2024. 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 continue to make progress against our objective to achieve a 2* accreditation with the Best Companies survey process. We have again retained our 1* accreditation during the survey process at the end of 2022 and have continued to show improvements in employee engagement on that measure.

We have now established a flexible hybrid working arrangement for office-based staff which has operated consistently through the whole financial year following the lifting of COVID-19 restrictions in the first part of 2022. This arrangement provides for all office-based staff to be in the office every week on a planned basis to facilitate team and project based working arrangements.

Our People Strategy sets out our objectives to have an effective, up to date approach to recruitment, to offer a pay and benefits package which is competitive and an environment in which we support learning and development.

This has approach has been instrumental in enabling us to recruit skilled colleagues and to expand our workforce in high value activities. This has been particularly important in the Property Services directorate so that we have the capacity to provide an effective repairs and maintenance service to the standards we offer to our customers.

Value for Money (VFM) and Financial Performance

We are committed to providing and improving our VFM as an integral part of our corporate strategy and objective setting. We take a rounded, balanced approach to VFM that supports our social purpose and ensures we make the best use of our resources, one of our key values.

The VFM culture is led by our Board and Executive Team with VFM embedded in all decision-making processes. Our VFM scorecard has been set and 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.

At Paradigm 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. The metrics used in the sector scorecard are as defined by the Regulator of Social Housing and do not in all cases match our own covenant or internal metrics disclosed elsewhere in this report. We have benchmarked against our peers in the south-east and our performance for the year is shown in the table on page 11.

Our key VFM metrics are provided below:

Delivery of new homes

We have increased the number of homes we own and manage from 15,870 to 16,062 in the year, which includes the development of 446 new homes. Our portfolio is now more concentrated around Buckinghamshire, Hertfordshire, Bedfordshire and areas within Oxfordshire which will support greater efficiency in the management and maintenance of our homes.

Our Corporate Plan from April 2021 onwards had 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. However, reflecting the challenging economic environment, the Board adjusted our planned outputs from 500 to 400 homes per annum from 2025, stepping down on a phased basis over the next two years, meaning that the new Corporate Plan target is 1,950 homes. 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 that are regularly reviewed and run sensitivity analysis on all development opportunities.

Property sales

We achieved first tranche shared ownership sales of 103 against a target of 106, delivering an operating surplus of £2.9m versus a target of £1.3m. We sold 17 homes through our tenant purchase scheme achieving an operating surplus of £3.0m against target £1,1m. In addition, 70 customers purchased additional tranches of their shared ownership property achieving a surplus of £4.1m against a budget of £3.6m. During the year we disposed of 16 other properties as part of our asset management strategy.

Overall operating margin

Our operating margin is 33.5% against a target of 40.1%. The main variations against target are better than expected performance in respect of property sales, offset by an increase in non-recoverable service charge costs, following a cap on increases to customers. This is alongside increases in both demand and the cost of repairs as a result of high inflation leading to a higher cost base than expected. Whilst we maintain upper quartile performance, we are not complacent in managing our costs. We continue to challenge our performance and cost management to ensure we deliver strong performance and quality.

Social housing cost per unit

Social housing cost per unit is above target of £4,002 at £4,253. This is an increase on the previous year (2022: £3,625), but still below our peer group average. We have seen an increased demand for our repairs service by customers, as well as an increase in irrecoverable service charges as we have taken the decision to cap increases in service charges to our customers.

Management cost per unit

Our management cost per unit has increased compared to last year at £927 (2022: £698) and remains above the budget of £761, mainly due to increased legal costs and timing differences on our overall transformation project management costs. We continue to monitor this cost going forward.

Interest cover

Our interest cover of 146.9% (2022: 173.3%) reflects the increased operating costs incurred and increased interest costs as a result of drawing down on the revolving credit facility to fund our development programme at a higher interest rate than expected at the start of the year. The increased operating costs and higher interest rates also mean it is significantly below the target of 182.4%

Gearing ratio

Our gearing ratio is 55.1% (2022: 53.0%). This is just under our target of 56% and reflects the increase in net debt during the year as we drew down on our revolving credit facility to fund our development programme.

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.

Return on Capital Employed (ROCE)

The result for the year of 3.0% (2022: 3.4%) is below previous years and target (3.5%) as a direct result of our lower surplus for the year as a result of a higher costs base from increased demand for our repairs service and higher inflation.

Reinvestment

This measures the amount we have invested in new homes as a percentage of housing stock and at 6.8% (2022: 3.3%) is above target (4%) as we invested £95.7m (2022: £47.2m) in new homes and £8.1m (2022: £5.5m) in existing stock.

Summary VFM Table

Performance measure	Target	2023	2022	Peer Group Median 2022
Operating margin (overall)	>40.1% Turnover	33.5%	44.0%	24.0%
Operating margin (social housing lettings)	>38.9% Turnover	35.5%	38.4%	27.5%
Headline Social housing cost per unit	£4,006	£4,253	£3,625	£4,578
Interest cover (EBITDA-MRI) (including refinancing costs)	182.8%	N/A	83.5%	119.1%
Interest cover (EBITDA-MRI) (excluding refinancing costs)	182.8%	146.9%	173.3%	N/A
Gearing	<56%	55.1%	53.0%	52.3%
New supply delivered – social housing	3.1%	3.0%	1.5%	1.5%
New supply delivered – non-social housing	0.0%	0.0%	0.0%	0.0%
Return on Capital Employed	3.5%	3.0%	3.4%	3.2%
Reinvestment	4.0%	6.8%	3.3%	6.8%

Our continued financial strength

Our overall result for the year was a surplus of £19.2m (2022: loss of £9.3m). This is a £4m decrease on a like-for-like comparison from £23.2m the previous year with the increase in income offset by increased costs due to mainly increased investment in our homes as well as some inflationary pressures. The 2022 figures include a £32.5m charge incurred as part of the debt refinancing with an underlying surplus of £23.2m.

During the year income from first tranche and other sales totalled £32.0m (2022: £44.3m), delivering a margin of 36.8% (2022: 25.9%). 2022 included the sale of a development side for £15m and so like for like the figures show an increase in the margin from 34.1% to 36.8%. Whilst the pipeline of new homes is not where we had hoped, reflecting the challenging economic environment and competition for scarce resources in our core geographical areas, we have largely contracted and approved schemes that will meet our revised new homes target. Similarly, whilst the volume of first tranche sales was slightly lower than target, the % purchased was above target, and values were maintained, leading to a greater surplus than budgeted.

The surplus for the year meant that our net assets increased by £19.2m., with underlying housing properties increased by £88m as we developed 446 new homes during the year.

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 2023, the breakdown of borrowings was as set out below:

Funding at 31 March 2023

	Arranged £m	Drawn £m	Undrawn £m
Bank loans	465	343	122
Public bond issues	350	250	100
Club bond issues	166	166	-
Private Placement	100	100	-
Total funding	1,081	859	222

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 2023, fixed rates of interest ranged from 1.939% to 7.00%. Floating rates are no more than 1.00% above the Sterling Overnight Index Average (SONIA) The Group has no free-standing derivatives or swaps.

During the year, the Association drew down £78m under a revolving credit facility.

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

	2023	2022
Energy consumption used to calculate emissions (kWh)	3,869,196	3,958,208
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	56.89	56.63
Fleet transport	712.26	750.75
Total Scope 1	**769.15**	**807.38**
Scope 2 emissions in metric tonnes CO2e - purchased electricity	**77.28**	**74.41**
Scope 3 emissions in metric tonnes CO2e -Business travel in employee & rental vehicles	**49.86**	**31.72**
Total gross emissions in metric tonnes CO2e	**896.29**	**913.51**
Intensity ratio Tonnes CO2e per property	**0.07**	**0.07**

GOVERNANCE

AMALGAMATED BOARD

The Amalgamated Board (which comprises the entity boards of PHG, PHCHA and PCL) is composed of eleven non-executive members plus one executive with meetings taking place at least six times per year

AUDIT AND RISK COMMITTEE

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

Members:

Philippa Lowe
Chair

Liz Bailey, Simon Jones and Richard Osborne
Non-executive members

INVESTMENT COMMITTEE

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

Members:

Mike Johnson
Chair

Richard Osborne and Peter Quinn
Non-executive members

GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

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

Members:

Pat Brandum
Chair

Julian Ashby and Eleanor Southwood
Non-executive members

TREASURY COMMITTEE

Responsible for overseeing the raising of new finance and reviewing the Treasury Management Policy and detail of treasury documents

Members:

Simon Jones
Chair

Julian Ashby and Mike Johnson
Non-executive members

Paul Phillips
Independent member

Nicola Ewen
Executive member

CUSTOMER EXPERIENCE COMMITTEE

Responsible for monitoring delivery of the customer strategy, performance, and customer experience and insight.

Members:

Eleanor Southwood
Chair

Mathew Bishop, Amina Graham and Liz Bailey
Non-executive members

Two resident members

PROJECT ASSESSMENT GROUP

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

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 2022/23 and up to the date of this report are listed on page 1.

Board Member insurance was placed with PIB Insurance. This expired on 31 March 2023 and coverage from 1 April 2023 is with Nexus Underwriting Limited

Paradigm occasionally uses task groups for the Board to oversee significant projects.

Code of Governance

During the year the Group adopted the National Housing Federation's Code of Governance: Promoting Board Excellence for Housing Associations (2020 edition). During the year the Board approved an updated Code of Conduct policy. This policy adopts the NHF's Code of Conduct in its entirety and includes elements from the previous Code where relevant to promote greater understanding and therefore compliance, which is reviewed annually by the Audit and Risk Committee and Amalgamated Board. The Group complies with all areas of the code.

Customer involvement

During the year we created the Customer Experience Committee as a sub-committee of the Board. 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 have undertaken a customer led self-assessment against the Ombudsman complaint handling code and our complaint policy and processes.

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

Employees

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

Equality and diversity

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

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

We will

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

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

Modern slavery statement

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

Health and safety

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

RISKS, UNCERTAINTIES AND INTERNAL CONTROLS ASSURANCE

Key risks to the delivery of Paradigm's plans are identified, reviewed and revised throughout the year by senior management, the Audit and Risk Committee (ARC) and the Board. Alongside the internal audit programme, ARC had a 'deep dive' in the areas of Customer Complaints, Voids, Rent Arrears, Management of Anti-Social Behaviour, Pensions and Development Acquisition. 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. Failure of the Health and Safety Management system could lead to harm of residents, staff, contractors or members of the public.	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. Our Health and Safety team regularly provide training and audits in all areas of the management system. In addition, our focus groups monitor implementation of new regulations.
Construction Industry Capacity and Operating Costs	Following the aftermath of Covid-19, 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. If it continues it could impact the risk of contractor default and our competitiveness on bidding for new schemes	We regularly challenge and review our competitiveness in terms of our appraisal assumptions and ensure that inflation is considered in contracts where appropriate. We remain vigilant in monitoring our portfolio of committed and pipeline schemes with oversight provided by our Investment Committee. We monitor concentration risk and remain vigilant in monitoring signs of stress in our counterparties.

Data Security and Quality	Flawed decisions based on inaccurate data could lead to exposure to additional cost and poor customer service. The risk of not responding in an effective manner to a cyber-attack could result in a data breach or business interruption.	We have a Data Governance Forum who regularly review and monitor the controls in relation to data quality. We have clear IT policies and procedures including agile responses to a suspected cyber attack. Regular training is undertaken across the business as well as regular phishing testing. External cyber validation review has been undertaken in the year
Adverse Change in Government Policy/Regulation	Policy changes can materially impact on our strategic approach to delivery of our corporate plan. Rents were capped by Government 7% in September 2022. With inflation still high, there is a risk of further Government intervention next year and future years. With the expiry of the current rent settlement in 2025, there is no clarity on the rent settlement beyond this date.	We regularly undertake horizon scanning to determine potential regulatory changes and priorities and the impact on our plans. Where changes are anticipated we undertake impact analysis and stress test them in our financial plans and make adjustments accordingly.
Failure to manage and maintain the quality of our homes	The condition of our existing homes impacts customer satisfaction as well as our financial performance. Failure to monitor property conditions and plan investment appropriately will materially impact our financial capacity, repair costs and growth aspirations.	We have reduced our stock condition survey cycle to 5 years as well as enhanced the use of data analytics to ensure that properties or blocks with multiple repairs are dealt with holistically to treat the root cause. Our in-house repairs team regularly review and report any additional maintenance concerns with visiting properties. We have increased the investment in our existing homes including making allowances in our financial plan to invest in thermal efficiency and net zero carbon.
Downturn in the housing market	Our development pipeline contains both shared ownership and outright sales which, if reduced, will have a direct financial impact on the Group. Further, as our commitment to new schemes is often made 2 to 3 years ahead of actual sales, downward value movements are an inherent and unavoidable risk whenever we develop homes for sale	Our appraisal assumptions are stress tested to assess the impact of house price reduction on overall scheme viability. In addition, we monitor sales risk across the portfolio with strict limits imposed on the level of sales risk we carry at any one time.

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. KPMG were internal auditors throughout the year. 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 £259,109 (2022: £252,844). During the year the Paradigm Foundation Committee ended and all donations are now channelled through the Paradigm Customer Support Fund. All requests are considered by the Customer Support Team and monitored by the newly formed Customer Experience Committee. The Paradigm Customer Support Fund supports both external support partners and individual customers. Individual customers receive small donations at a time of urgent need through our Extreme Hardship Fund. During the year, 1,300 customers were helped through our partners and the Extreme Hardship Fund.

A list of all organisations receiving donations is shown below:

Organisations	Amount (£)
Citizens Advice	72,975
Herts Mind Network	41,781
Herts Young Homeless	37,350
Donations to 12 Foodbanks	15,500
The Oasis Partnership	10,000
The Housing Association Charitable Trust	10,000
Donations to 5 organisations under £10k (Total amount)	21,502
Total External Organisations	**209,108**
Extreme Hardship Fund	50,000
Total charitable donations	**259,108**

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, recent interest rate rises and the economic situation 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 and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). In preparing these financial statements the Board are required to:

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

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting for Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting for registered social housing providers 2018. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may differ from legislation in other jurisdictions. The maintenance and integrity of the corporate and financial information on the Group and Company's website is the responsibility of the board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of compliance

In preparing this Strategic and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers (2018), Statement of Compliance with the Regulator of Social Housing and Governance and Financial Viability Standard in the year and 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 23 September 2023.

The report of the Board was approved by the Board on 13 July 2023 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 2023 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 requirements of 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 2023, 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 as applied to listed entities, 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 assessing its consistency with management's forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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		2023	2022
	Implementation of SUN application	✓	n/a
	Social housing assets may be impaired	✓	✓
	Recoverable amount of housing property developed for sale is materially misstated	✓	✓
Materiality	*Financial statements as a whole* £2.6m (2022: £2.7m) based on 5% (2022: 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 Association's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

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**
Implementation of SUN accounting application The Association adopted the SUN accounting application as its core financial reporting tool during FY22/23.	There is a risk that the data migration from legacy system to new application may lack appropriate controls to ensure completeness and accuracy of the data migrated.	We have performed an assessment of the design and implementation of the controls in relation to the migration process covering the following areas: • solution identification and Project Design and management • system testing

		• data migration • system set-up and design • issue/bug management. We agreed all opening balances in SUN with closing balances from Frameworks (the previous accounting application). We verified that the SUN accounts mapping was appropriate based on the previous mapping and our knowledge of the organisation. *Key observations* Based on the results of the work performed no issues were identified in relation to implementation of the SUN application.
Social housing properties may be impaired As described in Note 1 (Accounting Policies) and Note 10 (Tangible fixed assets), the Association performs an annual assessment of housing properties for indicators of impairment. 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, the recoverable amount is compared to the carrying amount. Due to the inherent estimation uncertainty in determining the recoverable amount, we considered there to be a significant risk and a key audit matter.	Having obtained management's assessment of indicators of impairment and subsequent impairment review where triggers were identified, 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 valuation methodology • reviewed the appropriateness and completeness of the disclosures in the financial statements and accompanying narrative reports. *Key observations* Based on our procedures we noted no exceptions and found management's key assumptions to be reasonable.
The recoverable amount of property developed for sale is materially misstated	For all schemes developed for sale at the balance sheet	Having obtained management's assessment of the net realisable value of property developed for sale, we

As described in Note 1 (Accounting Policies) and Note 14 (Properties for sale), the Association carries property developed for sales at the lower of cost and net realisable value. At 31 March 2023, the Association held property for sale of £18.5m (2022: £10.0m). This area is also considered by management a key estimation uncertainty as described in Note 1.	date, management has performed an assessment of their recoverable amount, using external valuations to support anticipated sales proceeds and 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 and sell we considered there to be a significant risk and therefore a key audit matter.	selected a sample on which to perform detailed testing. Our sample was 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 expected 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 reviewed 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 about 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* 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	
	2023	**2022**
Materiality	£2.6m	£2.7m
Basis for determining materiality	Adjusted operating surplus	Adjusted operating surplus
Rationale for the benchmark applied	The benchmark used for determining materiality is adjusted operating surplus based on the tightest interest cover loan covenant. Therefore depreciation (including depreciation on capitalised components) and gift aid are added back and surplus on sale of first tranches of shared ownership units and amortisation of social housing grants are deducted. 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	£1.5m	£1.6m
Basis for determining performance materiality	60% (2022: 60%) of materiality.	
Rationale for determining performance 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 & Risk Committee that we would report to them all individual audit differences in excess of £51,000 (2022: £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 and, except to the extent otherwise explicitly stated in our report, 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 and Community Benefit Societies Act 2014 to report to you if, in our opinion:

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

Responsibilities of the Board

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

In preparing the financial statements, the Board are responsible for assessing the 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 intend 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Association and the industry in which it operates;
- Discussion with management and those charged with governance and Audit & Risk Committee;
- Obtaining and understanding of the Association's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the 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 2022.

The Association is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be fire and building safety, environmental, occupational health and safety and data protection legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry of management and those charged with governance and review of Audit & Risk Committee documents and internal audit reports regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Association's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue, high-risk journal entries and areas with significant judgments and estimates.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias in particular in relation to impairment, recoverable amount of properties developed for sale (see Key Audit Matter above for details relating to these two area), useful lives of depreciable assets, the first tranche proportion of shared ownership properties and defined benefit pension scheme obligations; and
- Testing a sample of property sales before and after year end.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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:
E Kulczycki
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Elizabeth Kulczycki, senior statutory auditor
BDO LLP
Statutory Auditor
Gatwick, United Kingdom

15 August 2023

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

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023 £'000 Ordinary activities and total	2022 £'000 Ordinary activities	2022 £'000 Exceptional Items	2022 £'000 Total
Turnover	2	121,555	115,964	-	115,964
Cost of sales	2	(13,263)	(11,627)	-	(11,627)
Operating costs	2	(67,533)	(62,023)	-	(62,023)
Gain on disposal of properties	2, 4	6,840	8,726	-	8,726
Operating surplus	8	**47,599**	**51,040**	**-**	**51,040**
Interest receivable and other income	6	1,997	1,841	-	1,841
Interest payable and similar charges	7	(29,251)	(28,888)	-	(28,888)
Cost of debt refinancing	7	-	-	(32,505)	(32,505)
Movement in fair value of investments	12	(1,143)	(805)	-	(805)
Surplus and total comprehensive income for the year		**19,202**	**23,188**	**(32,505)**	**(9,317)**

The accompanying notes form part of these financial statements.
The financial statements were approved and authorised for issue by the Board 13 July 2023 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 2021	**630,770**	**59,140**	**689,910**
Total comprehensive income	(9,317)	-	**(9,317)**
Transfer from revaluation reserve to revenue reserve	817	(817)	**-**
Balance as at 1 April 2022	**622,270**	**58,323**	**680,593**
Total comprehensive income for the year	19,202	-	**19,202**
Transfer from revaluation reserve to revenue reserve	1,262	(1,262)	**-**
Balance as at 31 March 2023	**642,734**	**57,061**	**699,795**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2023	2022
		£'000	£'000
Fixed assets			
Housing properties	10	1,530,429	1,442,408
Other tangible fixed assets	11	8,005	15,300
Intangible fixed assets	11	3,478	-
Investments	12	31,213	32,374
		1,573,125	1,490,082
Current assets			
Short term investments	13	76	858
Properties for sale	14	18,466	9,975
Debtors	15	20,190	10,478
Cash and cash equivalents		16,096	31,258
		54,828	52,569
Creditors: amounts falling due within one year	16	(23,508)	(33,851)
Net current assets		31,320	18,718
Total assets less current liabilities		1,604,445	1,508,800
Creditors: amounts falling due after more than one year	17	(900,950)	(825,507)
Provisions	20	(3,700)	(2,700)
Total Net Assets		**699,795**	**680,593**
Capital and reserves			
Called up share capital	21	-	-
Revaluation reserve		57,061	58,323
Revenue reserve		642,734	622,270
Total Reserves		**699,795**	**680,593**

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 13 July 2023 and signed on their behalf by:

Julian Ashby
Chair

Matthew Bailes
Chief Executive

Ewan Wallace
Secretary

STATEMENT OF CASH FLOWS

	Notes	2023 £'000	2022 £'000
Net cash generated from operating activities	26	44,065	80,263
Cash flow from investing activities			
Purchase of fixed assets – housing properties		(101,622)	(92,026)
Purchase of fixed assets – other		(4,464)	(5,259)
Grants received		2,124	3,184
Grants repaid		(317)	(996)
Movement in long term investments		44	-
Interest received		2,030	1,841
		(102,205)	(93,256)
Cash flow from financing activities			
Interest paid		(31,390)	(31,051)
Breakage fees paid		-	(29,752)
New borrowings		78,000	248,462
Repayment of borrowings		(3,632)	(179,231)
		42,978	8,428
Net change in cash and cash equivalents		(15,162)	(4,565)
Cash and cash equivalents at the beginning of the year		31,258	35,823
Cash and cash equivalents at the end of the year		**16,096**	**31,258**

The accompanying notes form part of these 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.

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.

We have considered the impact that current inflationary pressures and economic situation 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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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 1AC.34) and does not disclose transactions with wholly owned group undertakings that are eliminated in consolidation. Transactions with non wholly owned group entities are disclosed in Note 29.

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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
Mechanical & Electrical	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 individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2018.

Other tangible fixed assets

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

1. ACCOUNTING POLICIES (CONTINUED)

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

Intangible fixed assets

Intangible fixed assets are recognised for IT projects and computer software including employee costs directly incurred in bringing the asset to use.

Amortisation is provided on the cost of other intangible fixed assets on a straight-line basis over 5 years so as to write them down to their estimated residual values over their expected useful economic lives.

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.

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.

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. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2023 Turnover	Cost of sales	Operating expenses	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	100,892	-	(65,126)	35,766
Other social housing activities				
Supporting people contract income	194	-	(9)	185
Sale of first tranche properties	16,174	(13,263)	-	2,911
Other support services	13	-	-	13
Office equipment, other rental and licence fees	187	-	(972)	(785)
	16,568	(13,263)	(981)	2,344
Non-social housing activities				
Lettings	4,095	-	(1,426)	2,669
	4,095	-	(1,426)	2,669
Gain on disposal of properties	-	-	-	6,840
	121,555	(13,263)	(67,533)	47,599

	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)

Particulars of income and expenditure from social housing lettings

	2023				2023	2022
	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	75,987	3,274	1,443	12,090	92,794	87,601
Service charge income	3,842	831	15	1,237	5,925	6,042
Fees	1,183	17	13	269	1,482	2,344
Amortised government grants	400	-	-	-	400	393
Rechargeable works	-	-	-	-	-	211
Other revenue grants	291	-	-	-	291	47
Turnover from social housing lettings	81,703	4,122	1,471	13,596	100,892	96,638
Operating costs						
Management	8,958	127	99	2,043	11,227	9,838
Service charge costs	6,396	90	71	1,457	8,014	6,638
Routine maintenance	19,826	516	236	-	20,578	13,132
Planned maintenance	9,655	120	94	-	9,869	9,927
Bad debts	211	3	2	-	216	231
Property lease charges	-	-	2,651	-	2,651	4,901
Depreciation of housing properties	10,162	147	-	-	10,309	11,862
Impairment	(750)	-	-	-	(750)	-
Accelerated depreciation on components	694	-	-	-	694	983
Other costs	2,318	-	-	-	2,318	1,984
Operating costs on social housing lettings	57,470	1,003	3,153	3,500	65,126	59,496
Operating surplus on social housing lettings	24,233	3,119	1,682	10,096	35,766	37,142
Void losses	462	-	77	-	539	809

3. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

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

	2023 No of units	2022 No of units
General needs housing - social and intermediate rent	9,254	9,241
General needs housing - affordable rent	2,773	2,508
Supported housing and housing for older people	162	163
Low cost home ownership	2,750	2,648
Temporary social housing - short leasehold	48	54
Total social housing owned	**14,985**	**14,614**
Temporary social housing - short leasehold	42	234
Accommodation managed for others	48	32
Total social housing managed	**15,077**	**14,880**
Market rented properties	264	264
Leasehold properties	723	703
Units managed by other organisations	21	23
Total non-social housing owned and managed	**1,008**	**990**
Total housing owned and managed	**16,085**	**15,870**
Accommodation in development at the year end		
General needs housing	587	551
Low cost home ownership	389	273
Total under development	**976**	**824**

3. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT (CONTINUED)

	2022 No of units	Disposals	Movement Between Categories	Additions	2023 No of units Total
General needs housing - social and intermediate rent	9,241	(12)	1	24	9,254
General needs housing - affordable rent	2,508	-	(6)	271	2,773
Supported housing and housing for older people	163	(3)	2	-	162
Low cost home ownership	2,648	(35)	(14)	151	2,750
Temporary social housing - short leasehold	54	(5)	(1)	-	48
Total social housing owned	**14,614**	**(55)**	**(18)**	**446**	**14,987**
Temporary social housing - short leasehold	234	(151)	(41)	-	42
Accommodation managed for others	32	(25)	41	-	48
Total social housing managed	**14,880**	**(231)**	**(18)**	**446**	**15,077**
Market rented properties	264	-	-	-	264
Leasehold properties	703	-	20	-	723
Units managed by others	23	-	(2)	-	21
Total non-social housing owned and managed	**990**	**-**	**18**	**-**	**988**
Total housing owned and managed	**15,870**	**(231)**	**-**	**446**	**16,085**

4. SURPLUS ON SALE OF FIXED ASSETS

	2023 Shared Ownership Staircasing	2023 Other Housing Properties	2023 Total	2022 Total
	£'000	£'000	£'000	£'000
Other Sales				
Sales proceed	9,240	6,660	15,900	28,915
Cost of Sales	(4,346)	(4,714)	(9,060)	(20,189)
Surplus	**4,894**	**1,946**	**6,840**	**8,726**

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 331 (2022: 161) employees within the Group dedicated solely to the company’s business and staff costs of £15,349k (2021: £4,686k) were recharged to the Company.

6. INTEREST RECEIVABLE AND OTHER INCOME

	2023 £'000	2022 £'000
Investment income (gift aid from subsidiary)	920	1,276
Interest receivable from short term deposits	391	299
Interest receivable from group companies	686	266
	1,997	**1,841**

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
On bank loans, overdrafts and other loans:	**£'000**	**£'000**
Repayable within five years:		
Interest payable to group companies	270	522
Interest on loans	3,115	4,993
Repayable in more than five years	28,045	24,695
Early repayment charge	-	29,752
Other refinancing costs	-	2,753
	31,430	62,715
Interest capitalised on properties in the course of construction	(2,179)	(1,322)
	29,251	**61,393**
Capitalisation rate used to determine the finance costs capitalised during the period	5.0%	4.75%

8. OPERATING SURPLUS

The operating surplus is stated after charging (crediting):	2023 £'000	2022 £'000
Depreciation of housing properties	10,309	11,862
Accelerated depreciation on replacement of components	694	983
Depreciation of other fixed assets	913	1,091
Impairment of housing properties	(750)	(676)
Lease rental	2,651	4,901
Auditor's remuneration (excluding VAT):		
Fees payable to the Association's auditor for the audit of the financial statements	87	50

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 2022	1,317,693	48,488	219,256	23,150	1,608,587
Additions – properties under construction	-	70,142	-	25,559	95,701
Component replacement	8,100	-	-	-	8,100
Transfers to completed schemes	71,202	(71,202)	22,074	(22,074)	-
Transfer to current assets following change in 1st tranche %	-	-	(1,879)	(3,650)	(5,529)
Housing properties disposal	(1,754)	-	(6,281)	-	(8,035)
Component disposal	(1,471)	-	-	-	(1,471)
Transfer from other fixed assets	7,803	-	-	-	7,803
At 31 March 2023	**1,401,573**	**47,428**	**233,170**	**22,985**	**1,705,156**
Less depreciation and impairment					
At 1 April 2022	163,832	2,347	-	-	166,179
Impairment for the year	-	(750)	-	-	(750)
Charge for the year	10,309	-	-	-	10,309
Transfer from other fixed assets	504	-	-	- -	504
Housing properties disposal	(737)	-	-	-	(737)
Component replacement	(778)	-	-	-	(778)
At 31 March 2022	**173,130**	**1,597**	**-**	**-**	**174,727**
Net book value at 31 March 2023	**1,228,443**	**45,831**	**233,170**	**22,985**	**1,530,429**
Net book value at 31 March 2022	**1,153,861**	**46,141**	**219,256**	**23,150**	**1,442,408**

10. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

	2023	2022
	£'000	£'000
Freehold land and buildings	1,479,936	1,357,881
Long leasehold land and buildings	48,143	82,638
Short leasehold land and buildings	2,350	1,889
	1,530,429	**1,442,408**

Expenditure on works to existing properties	2023	2022
	£'000	£'000
Amounts capitalised	8,100	5,288
Amounts charged to income and expenditure	30,447	23,059
	38,547	**28,347**

	2023	2022
	£'000	£'000
Social housing assistance Total accumulated social housing grant received or receivable at 31 March:		
Held as deferred income (Note 19)	38,792	36,677
Held as income and expenditure reserve	310,719	310,917
	349,511	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:	2023	2022
	£'000	£'000
Historical cost	1,648,095	1,550,264
Less: depreciation	(174,727)	(166,179)
Historical cost net book value	1,473,368	1,384,085
Revaluation reserve	57,062	58,323
Net book value at 31 March	1,530,429	1,442,408

11. OTHER FIXED ASSETS

	Tangible Fixed Assets				Intangible Fixed Assets	
	Freehold office properties	**Leasehold office improvements**	**Computers, equipment, fixtures and vehicles**	**Total Tangible Fixed Assets**	**Computer Software & IT project Equipment**	**Total Intangible Fixed Asset**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 1 April 2022	12,321	1,609	10,755	24,685	-	-
Transfer from/(to) intangible fixed assets			(1,454)	(1,454)	1,454	1,454
Additions	-	-	2,346	2,346	2,118	2,118
Transfer to housing properties	-	-	(7,803)	(7,803)	-	-
Disposals	(6)	(17)	(210)	(233)	-	-
At 31 March 2023	**12,315**	**1,592**	**3,634**	**17,541**	**3,572**	**3,572**
Depreciation						
At 1 April 2022	5,206	1,104	3,014	9,385	-	-
Charge for the year	408	43	368	819	94	94
Transfer to housing properties	-	-	(504)	(504)		
Disposals	-	-	(164)	(164)		
At 31 March 2023	**5,614**	**1,208**	**2,714**	**9,536**	**94**	**94**
Net book value at 31 March 2023	**6,701**	**384**	**920**	**8,005**	**3,478**	**3,478**
Net book value at 31 March 2022	**7,115**	**444**	**7,741**	**15,300**	**-**	**-**

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 (2022: £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 2022	22,545	3,782	542	5,505	32,374
Withdrawals	-	(44)	-	-	(44)
Interest	-	26	-	-	26
Movements in Fair Value	142	-	(90)	(1,195)	(1,143)
At 31 March 2023	**22,687**	**3,764**	**452**	**4,310**	**31,213**

Details of subsidiary entities are shown in note 27.

13. SHORT TERM INVESTMENTS

	2023	2022
Short term investments:	**£'000**	**£'000**
95 day notice account	76	-
32 day notice deposit and leaseholder sinking funds	-	858
	76	**858**

14. PROPERTIES FOR SALE

	2023	2022
	£'000	**£'000**
Shared ownership properties under construction	12,655	7,811
Shared ownership completed properties	5,811	2,164
	18,466	**9,975**

15. DEBTORS

	2023	2022
	£'000	**£'000**
Current tenant arrears:		
Association properties	3,848	4,056
Former tenant arrears:		
Association properties	783	716
Total rental debtors	4,631	4,772
Less bad debt provision	(1,635)	(1,630)
	2,996	3,142
Social Housing Grant receivable	25	25
Amounts owed by group entities	5,979	3,622
Loans to group entities	8,921	-
Prepayments and accrued income	903	2,125
Other debtors	1,366	1,564
	20,190	**10,478**

During the year the Association made a loan of £18,050k to Paradigm Development Services Ltd to help fund a joint controlled operation. £9,129k was repaid during the year leaving a balance of £8,921k at 31 March 2023 (2022: £nil). Interest is receivable at 5% per annum and £305k (2022: £nil) has been credited to the statement of comprehensive income. This loan is repayable on demand.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£'000	£'000
Loans repayable (note 23)	3,839	3,653
Rent and service charges in advance	4,233	4,152
Other Creditors	163	1,239
Amounts owed to group entities	209	11,453
Other loans	1,021	-
Trade creditors	1,238	-
Recycled Capital Grant Fund (note 18)	233	388
Deferred grant (note 19)	212	470
Accruals and deferred income	12,360	12,496
	23,508	**33,851**

17. CREDITORS – AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	2023	2022
	£'000	£'000
Bank loans and borrowings (note 23)	855,478	781,296
Net premiums on bonds issue	4,806	6,560
Deferred income	205	225
Recycled Capital Grant Fund (note 18)	1,881	1,093
Deferred grant (note 19)	38,580	36,333
	900,950	**825,507**

Of the loans and borrowings due after more than one year and drawn down at 31 March 2023, £855,478 (2022: £781,296K) was fixed with interest rates varying from 1.99% to 7.00%. Variable borrowings at 31 March 2023 totalled £78,000 (2022: £nil) with an interest rates of no more than SONIA + 1%.

Included in housing loans above are unamortised arrangement fees of £209k (2022: £229k). 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.

18. RECYCLED CAPITAL GRANT FUND

		HE		GLA		TOTAL	
		2023	2022	2023	2022	2023	2022
		£'000	£'000	£'000	£'000	£'000	£'000
At 1 April		1,069	1,115	412	1,408	1,481	2,523
Inputs to fund:	Grants recycled	987	388	375	-	1,362	388
	Interest accrued	42	3	17	-	59	3
Repayment of grant		-		(317)	(996)	(317)	-
Recycling of grant:	New build	(470)	(437)	-	-	(470)	(1,433)
At 31 March		**1,628**	**1,069**	**487**	**412**	**2,115**	**1,481**

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. £233k (2022: £338k) 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.

19. DEFERRED CAPITAL GRANT

	2023			2022		
	Completed Schemes	Under Construction	Total	Completed Schemes	Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	29,431	7,371	36,802	24,220	9,517	33,737
Grant receivable in the year	-	2,124	2,124	-	3,184	3,184
Grant recycled in the year	-	470	470	-	437	437
Transfer to completed scheme	2,142	(2,142)	-	5,788	(5,788)	-
Disposal	(203)	-	(203)	(195)	21	(174)
	31,370	7,823	39,193	29,813	7,371	37,184
Grant amortised	(401)	-	(401)	(382)	-	(382)
At 31 March	**30,969**	**7,823**	**38,792**	**29,431**	**7,371**	**36,802**
Amounts to be released within one year	212	-	212	470	-	470
Amounts to be released in more than one year	30,757	7,823	38,580	28,961	7,371	36,332
	30,969	**7,823**	**38,792**	**29,431**	**7,371**	**36,802**

20. PROVISIONS

	2023 £'000	2022 £'000
Other		
At 1 April	2,700	-
Additions	1,000	2,700
At 31 March	**3,700**	**2,700**

21. NON-EQUITY SHARE CAPITAL

	2023 £	2022 £
Allotted, issued and fully paid		
At 1 April	15	10
Prior year adjustment	(4)	-
Issued during the year	1	5
Cancelled during year	(3)	
At 31 March	**9**	**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.

22. CAPITAL COMMITMENTS

	2023 £'000	2022 £'000
Capital expenditure contracted for but not provided in the financial statements	148,281	162,869
Capital expenditure authorised by the Board but not contracted	58,694	34,969
	206,975	**197,838**

The above commitments will be financed primarily through unit sales of £62.5m (2022: £36.1m) and borrowings of £144.5m (2022: £161.4m) which are available for draw-down under existing loan arrangements (note 23).

There are contingent liabilities of £50,121k at 31 March 2023 (2022: £50,208k) 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.

23. LOANS AND BORROWINGS

	Bank loans	Capital Markets	Financing costs	Total
	£'000	£'000	£'000	£'000
Borrowings				
Debt due within one year	3,679	160	-	3,839
In more than one year but not more than two years	3,863	171	(21)	4,013
In more than two years but not more than five years	103,286	591	(54)	103,823
In more than 5 years	232,516	515,261	(135)	747,642
Total	**343,344**	**516,183**	**210**	859,317

Of the loans and borrowings due after more than one year, £855,478k (2022: £781,296k) is fixed with interest rates varying from 1.9% to 7.0%. Variable debt totalled £78k (2022: £nil) with an interest rate of no more than SONIA + 1%

24. BORROWING FACILITIES

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

	2023	2022
	£'000	£'000
Expiring in less than one year	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	222,000	250,000
	222,000	**250,000**

25. NET DEBT

	At 1st April 2022	Cashflows	Reclassification of debt	At 31st March 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	31,258	(15,162)	-	16,096
	31,258	**(15,162)**	**-**	**16,096**
Borrowings				
Debt due within one year	3,653	(3,653)	3,839	3,839
Debt due after one year	781,296	78,021	(3,839)	855,478
Total debt	784,949	74,368	-	859,317
Total	**753,691**	**89,530**	**-**	**843,221**

26. NET CASH GENERATED FROM OPERATIONS

	2023	2022
	£'000	**£'000**
Surplus / (deficit) for the year	19,202	(9,317)
Adjustment for non-cash items:		
Depreciation of housing properties	10,309	11,862
Impairment reversal	(750)	-
Depreciation of other fixed assets	913	1,091
(Increase)/ Decrease in debtors	(3,401)	4,298
Increase in creditors	(12,067)	(9,271)
Decrease/(Increase) in properties for sale	(8,491)	(1,799)
Write off of other tangible assets	69	-
Increase in provision	1,000	2,700
Movement in fair value of investments	1,143	803
Component write off	694	983
Grant amortisation	(400)	(382)
Grant recycled	(470)	(437)
Profits from sales of tangible fixed assets	(6,840)	(8,726)
Proceeds for sale of housing properties	15,900	28,915
Interest payable	29,251	28,888
Refinancing costs payable	-	32,505
Interest receivable	(1,997)	(1,850)
Net cash generated from operations	**44,065**	**80,263**

27. 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:

	2023	2022
	£'000	**£'000**
Within one year	368	1,504
Between one and five years	111	726
	479	**2,230**

Shared ownership lease income is as follows:

	2023	2022
	£'000	**£'000**
Within one year	131	135
Between one and five years	524	538
Leases expiring after more than five years	1,449	1,717
	2,104	**2,390**

28. 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.

29. RELATED PARTY DISCLOSURES

The Association purchases property development services from Paradigm Development Services Limited (PDSL), a related undertaking of Paradigm Housing Group Limited. Paradigm Maintenance Limited (“PML” was dormant from 1 April 2022 and accordingly there were no related party transactions during the year. 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:

	2023	**2022**
	£'000	**£'000**
PDSL - development services	56,788	30,088
PML - maintenance services and investment works	-	29,141
PCL - interest	519	512
	57,307	**59,741**

During the year £nil (2022: £nil) was received in donations from PDSL and £920k (2022: £1,277k) was paid from PCL to Paradigm Homes Charitable Housing Association in relation to 2021/22 profits.

During the year the Association made a loan of £18,050k from Paradigm Development Services Ltd to help fund a joint controlled operation. £9,129k was repaid during the year leaving a balance of £8,921k at 31 March 2023 (2022: £nil). Interest is receivable at 5% per annum and £305k (2022: £nil) has been credited to the statement of comprehensive income. This loan is repayable on demand.

30. 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.

31. 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.