

PARAGON HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Paragon Housing Association Limited

**Report and Financial Statements
For the year ended 31 March 2023**

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 2521R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number 298
Charity Number	SC 036262

Paragon Housing Association Limited

Management Committee, Executives and Advisers For the year ended 31 March 2023

Management Committee

Flora Wallace	Chair
June Anderson	Vice Chair
Malcolm Richards	Treasurer
Susan Robertson	Co-optee
Elisabeth Campbell	
Rosie Murray	
Fiona Speirs	
Elizabeth McNie	
Audrey Anderson	
Kathleen Menzies	
Sandy Young	Resigned
Claire Munro	Co-optee
Barry Lees	

Executive Officers

Margaret Torrance	Director
Margaret Thompson	Finance & Investment Manager
William Baxter	Programme and Regeneration Manager
Evelyn Mathershaw	Housing Manager

Registered Office

Invergrange House
Station Road
Grangemouth
FK3 8DG

External Auditor

RSM UK Audit LLP
Third Floor,
2 Semple Street
Edinburgh
EH3 8BL

Internal Auditors

MHA Henderson Loggie
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Bankers

Royal Bank of Scotland plc
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

GB Social Housing plc
35 Great St Helen's Street
London
EC3A 6AP

Solicitors

Addleshaw Goddard LLP
Exchange Tower
19 Canning Street
Edinburgh
EH3 8E

Paragon Housing Association Limited

Report of the Management Committee For the year ended 31 March 2023

The Management Committee presents their report and audited financial statements for the year ended 31 March 2023.

Principal Activities

The principal activity of the Association is the provision of social rented accommodation.

Objectives

The Association has set a Mission and Values for the organisation. These are supported by clear strategic and operational objectives. These have been developed by the Management Committee with input from staff and taking into consideration service user feedback.

Strategy for Achieving Objectives

The strategy for achieving these objectives is clearly articulated through a number of plans and strategies. Principally this is set out in the 30-year Business Plan and supported by the Internal Management Plan and other strategies.

Current Economic Situation

The Covid 19 pandemic had a major negative impact on the economic landscape and this has been compounded by current economic uncertainties and global issues. The cost-of-living crisis and post Brexit factors are contributing to high inflation, supply chain and labour market disruptions. These have an impact on service users directly and on the housing sector's ability to deliver services and investment. Various measures have been taken to mitigate these factors.

JRW Repairs & Gas Maintenance Contracts

In 2022 the Association was provided with short notice by the incumbent JRW contractor of the withdrawal from the JRW contract. Arrangements were quickly put in with Everwarm Limited to deliver repairs services going forward from 4th July 2022.

City Technical Services continued as Gas Contractors and provided a robust and reliable service.

Housing Management Services

Post covid allocations and lettings began to return to pre covid levels. Turnover was 79 units compared to 105 in the previous year. The percentage of offers refused continued to fall reducing to 16.35%. The percentage of Section 5 local authority homeless referrals converted to a tenancy reduced to 90.32% with the percentage of allocations to homeless households being 41%.

Support was provided to local authorities in meeting the needs of refugees with 8 units provided in 2022/23.

Void property relet times remained high at 78 days (99 days in 2021/22) partly as a consequence of the need to change reactive repairs contractors at short notice during 2022. Benchmarking via Scotland's Housing Network suggests the trend regarding relet days is reflected across the sector. During 2022/23 gross rent arrears rose to 6.27% compared to 5.51% in 2021/22. The Association recognises the impact of the cost-of-living crisis and remains committed to supporting tenancy sustainment. A number of initiatives have been put in place to support this. In addition to building on the existing HoME Project (delivered in partnership with Link Living) the Association successfully applied for funding to allow the roll out of a number of cost-of-living initiatives under the umbrella project title of 'Warm Welcome Home'. The project has enabled the Association to offer supermarket vouchers, energy saving items, free Sim cards and Pets at Home Vouchers to new tenants and existing tenants in need of some extra support.

Paragon Housing Association Limited

Report of the Management Committee (continued) For the year ended 31 March 2023

The Association has been successful in applying for grant funding in support of these initiatives and has secured £106,500 during 2022/23 and 2023/24 to date.

These projects also include an element of trying to engage with hard-to-reach groups and refugees. This work was recognised by the Happy To Translate Team and the Housing Management Team was rewarded with the title "Team of the Year" at the HTT Member event in March 2023.

The Association also employs an in-house Tenancy Sustainment Officer offering benefits advice to tenants.

Tenant/Owner Engagement

There is a well-established Tenant Scrutiny Panel in place. They are involved in a rent harmonisation exercise which is currently being undertaken by independent consultants. The panel also undertook a review of the Association's approach to complaints with the report being issued in July 2023. An owners' working group is in place and they meet periodically online to discuss issues which affect them.

The Association remains committed to collecting meaningful tenant feedback and continues to work with Knowledge Partnership who provide survey services to the Association on a rolling basis. In 2022/23 the surveys showed a slight decrease in overall satisfaction, but an increase in other key indicators such as keeping tenants informed (increased to 88.91%) and opportunities to participate (increased to 77.48% up from 73%).

HOUSING STOCK BREAKDOWN BY AREA AS AT 31ST MARCH 2023

The number of housing units increased from 1435 to 1445 at the end of March 2023.

LA Area	31/3/2022	31/03/23
Falkirk	860	870
Clackmannanshire	416	416
Stirling	159	159
TOTALS	1435	1445

Performance

Performance Area	2021/22	2022/23
Rent collected as a percentage of total rent due in the reporting year	100.44%	97.03%
Gross tenant non-technical arrears as % of gross rental income	5.51	6.27
Average length of time to complete non-emergency repairs – measured in days	10.48	9.72
Number of times statutory duty to complete a gas safety check not met	2	1

Paragon Housing Association Limited

Report of the Management Committee (continued)

For the year ended 31 March 2023

Percentage of rent lost through properties being empty during the last year	0.85%	1.54%
Number of void properties over 6 months at year end	0	6

Complaints Performance

Completed 2022/23	Percentage completed in SPSO Model Complaints Response times	Upheld – fully or partially
Frontline Complaints	5 days response time	Number
136	98.5%	71
Investigative Complaints	20 days response time	Number
24	91.7%	17

Development and Performance

Financial Performance

The Association achieved an operating surplus for the year of £1.6million (2022 - £1.6million). The total comprehensive income for the year was £707k (2022- £1.5m). This includes an actuarial loss in respect of the pension scheme of £270k compared to an actuarial gain of £463k in 2022 which, in turn, has resulted in an increase of the pension liability of £733k. The increase in the pension liability has arisen due to changes in the underlying assumptions used to calculate the liability at the year end and does not reflect the amount that the Association contributes to the scheme.

The operating expenditure for the year was £5.0m (2022 £4.8m). Included in these operating costs is expenditure on reactive, cyclical and planned maintenance. The Association spent £2.1m (2022- £2.0m) on these activities.

Rent Arrears have increased by £61k this year to £401k (2022-£340k). The Tenancy Management Team have continued to work with tenant to mitigate the impact of the cost of living crisis.

Although Void turnover decreased in the year, the average relet time increased with void days increasing from 4748 days to 5580 days. This year void loss is £102k (2022-£71k).

The business planning and budget process was subject to external independent review during 2021/22. The Internal Audit report of Business Planning Budgetary Control / Financial Modelling & Scenario Planning reviewed the Association's process for developing the 2021/22 budget against guidance produced by the SHR. From this comparison exercise it was identified that the Association's financial planning framework complied with the SHR guidance in all significant respects. The Association continues to use the same planning processes.

Throughout December 2022 and January 2023, the issue of the rent increase to be applied for 2023/24 was considered and consulted on against a background of rapidly rising inflation. Many factors were taken account of when making the decision including rent affordability, the rising cost of living and the impact on the costs of service delivery and investment in the housing stock. It was agreed that 4.0% would be applied, representing a lower than the CPI or RPI inflation rate.

Paragon Housing Association Limited

**Report of the Management Committee (continued)
For the year ended 31 March 2023**

Business plan

The 30 Year Business Plan was prepared looking at the current Cost of Living Crisis and taking into account the continued high inflation rates. It included the costs and potential benefits of a new development in partnership with C~urb. It was tested for continuing viability of the organisation and compliance with Covenants and no concerns were raised.

BBOOM – Buy Back Open Market/ MTR – Mortgage to Rent Scheme

The successful BBOOM policy continued to operate within the Falkirk Council area, and it is supported by HAG funding. This policy allows the Association to acquire properties which achieve specific strategic aims such as meeting the Scottish Housing Quality Standard in multi tenure blocks or meeting a particular type of housing demand. During 2022/23 the purchase of 10 units was concluded. HAG funding has been secured for a further 5 units in 2023/24.

There were no acquisitions under the Scottish Government's Mortgage to Rent Scheme during the year.

Scottish Housing Standard (SHQS) & Energy Efficiency Standard Social Housing (ESSH)

Prior to Covid 19 Lockdown in mid- March 2020, good progress was being made to maintain and meet the SHSQ and ESSH 1 through the delivery of the 2019/20 investment programme. At various points during 2020/21 & 2021/22 work was halted due to covid restrictions. In late 2021, most contracts resumed on site albeit issues with material supplies/cost and resources were being experienced which continue to date.

The main projects affected by this were gas boiler and gas system installations, sanitaryware replacement, kitchen replacements, electrical works including meeting the new requirements around smoke detectors and heat detectors, painterwork, door entry systems and some minor works.

The total costs of the incomplete works due to the Covid 19 pandemic against budget is assessed at:

2019/2020:	£185,057
2020/2021:	£1,046,155
2021/2022:	£295,555
2022/2023:	£1,000,000

The investment programme is currently running behind due to the residual impact of Covid 19. This has had a major impact on the availability of contractors within the building industry combined with material costs and availability. The Association is currently reviewing the investment programme and looking to procure works as through new frameworks. This will enable the effective management of the investment programme whilst continuing to accelerate some of the delayed planned improvement works.

As at March 2023, 90.03 % (1301/1445) of the Association's properties are meeting the Scottish Housing Quality Standard (SHQS) and 98.06% (1417/1445) are meeting the Energy Efficiency Standard Social Housing 1 (ESSH 1). The 28 properties not meeting ESSH 1 will continue to be assessed/included in the 2023/24 and future programmes. In October 2022 the Scottish Government produced interim guidance on ESSH 2 advising that the milestones set for this in 2025 & 2032 are temporarily on hold whilst a review of ESSH 2, to align with net zero, is undertaken. The review is anticipated to be completed mid-2023.

The main area of non-compliance for the SHQS is where owners have not agreed to take part in Door Entry System (DES) improvement work, this affects 118 tenants over 31 blocks.

Electrical Inspection Condition Report (EICR)

The Association had a total of 1421 EICRs from the required 1445 completed and in place as at 31st March 2023. Of the 1421 completed, 39 were completed out with the 5-year anniversary. These do not count as failures for SHQS purposes. 10 of the 39 are attributed to the new BBOOM properties acquired 2022/23 with works not completed by 31st March 2023. The remaining 29 outstanding are a result of a mixture of contractor failures due to resources, condition of property and tenants being hospitalised.

Paragon Housing Association Limited

Report of the Management Committee (continued)

For the year ended 31 March 2023

The Housing (Scotland) Act 1987 was amended to reflect the new requirements around smoke detectors and heat detectors (FCMD). The Association made a successful bid for a Scottish Government interest free loan of £995,981.29 to support the installations. There was good progress being made towards this before the lockdown and the programme was due for completion by the original target date of February 2021. In recognition of the impact of the pandemic the Scottish Government extended the deadline until Feb 2022. The Association successfully met the target installation date requirements with all 1435 properties at that time 100% compliant. A 10 year cycle of replacements has been programmed into the Association's housing database and the investment programme going forward.

Stock Condition Survey

A full independent stock condition survey was commissioned for 2020/21 but completion was delayed due to pandemic restrictions. This was completed in late 2021 and generally confirmed the Association's existing view of the condition of the stock. There was no immediate or significant action required as a result of the findings. The independent projections on life cycle and costs of components were in line with Association's existing projections. On completion of the survey, a new Asset Management system (HUB) has been purchased to replace an older bespoke system. All data from the recent stock condition survey has been uploaded. In 2023/24, the data from the existing Asset Management system will be integrated into the HUB to complement the results of the Stock Condition Survey. During 2023/24 the Association plans to procure and appoint a consultant to update the previous stock condition survey to take account of the EESSH 2 review.

Health & Safety

Health and Safety remains a priority for the Association and there is a subscription to the Employers in Voluntary Housing's (EVH) Landlord Safety Manual framework. A compliance audit was carried out in 2023 and the auditor concluded "Overall, the audit was very good and there is clearly a high level of health and safety compliance."

Future Prospects

The Association continues to operate from a stable financial and organisational base. Development activities and buy backs continue to support planned growth.

The planned stock investment programme going forward includes a major roofing and rendering programme, central heating upgrades, sanitaryware replacements, kitchens, environmental works, and door entry system installations. Although the final EESSH 2 requirements have still to be determined by the Scottish Government the Association continues to work towards improving energy efficiency and the Net Carbon Zero agenda. Current initiatives include the development of a pilot project with the use Photo Voltaic technology with battery backup being incorporated in re-roofing programmes.

The Association has also signed up to a new Home Analytics and Portfolio Energy Analysis Tool (PEAT). These are two available tools to support the Association to baseline and model the housing stock with energy efficiency, fuel poverty and decarbonisation being incorporated. Both are Scottish Government funded and are free for the Association to use. Both tools will assist the Association to target energy efficiency improvements to move towards meeting the new EESSH 2 target in 2032.

Principal Risks and Uncertainties

The Association has a Risk Management Strategy and Risk Register in place.

An annual review is carried out with the Management Committee and Audit Committee is provided with quarterly risk updates. As part of this quarterly review new and emerging risks are identified and risk rating ratings are reviewed. The Management Committee is aware of the growing pressure across the economy due to costs of living increases, resources, energy supply issues and supply chain impacts.

Key Risks have been identified in the following areas. For each of these a risk response and control

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Report of the Management Committee (continued)

For the year ended 31 March 2023

actions have been formulated.

Risk	Response / Control Action
Economic uncertainty, cost of living crisis, rising energy costs impacting on service users and Association performance	<ul style="list-style-type: none"> - Specialist Tenancy Sustainment Officer in post & HoME project support. - Specific initiatives such as Warm Welcome Home project. - Liaise with DWP on universal credit matters. - Ongoing monitoring and reporting on arrears and voids performance. - Business Plan sensitivity analysis.
Achieving and maintaining investment to meet the Scottish Housing Quality Standard, Energy Efficiency Standard Social Housing 1 & 2 (Scotland) and any further standards. This was exacerbated by Covid 19 pandemic impact as the programme of works slowed due to lockdown measures and post pandemic issues around the labour market and supply chain.	<ul style="list-style-type: none"> - Business plan which sets out resources and targets to deliver both SHQS and EESSH 1 with EESSH 2 subject to the new Heat in Buildings Strategy (currently draft form) and changes planned to EPC measurements. - Ongoing programme of investment in improvements such to achieve the standards. - Use of PEAT. - Support from Energy Action Scotland on energy efficiency measures. - Ongoing monitoring and reporting of progress against plan. - Discussion with lenders re covenant impact on any project delays. - Use of frameworks for procurement. - Business Plan sensitivity analysis.
Pension liabilities	<ul style="list-style-type: none"> - Membership of EVH SHAPS Support Group to monitor developments. - Specialist advice in place and working group set up. - Staff consultation process in 2023/24 supported by specialist advice.
Ensuring compliance with regulatory standards	<ul style="list-style-type: none"> - Scrutiny by Sub Committees and Management Committee. - Use of SFHA Toolkit for assessing assurance. - Internal Audit.
Risks associated with undertaking development activities	<ul style="list-style-type: none"> - Business plan which sets out resources to deliver development programme. - Project approvals process in place. - Working with experienced partners to deliver development services. - Ongoing monitoring and reporting of progress.
Cyber Security / fraud risks elevated due to more remote working & worldwide cyber insecurities	<ul style="list-style-type: none"> • Cyber Essentials Plus accreditation achieved. • Staff training and awareness. • Monitoring by Audit Committee.
Supply chain issues, increasing prices, contractor failures, labour shortages	<ul style="list-style-type: none"> • Monitoring of contracts / tenders. • Use of framework agreements.

Internal audit (IA) services were provided by Henderson Loggie. The Audit Committee carried out a review of the services being provided by the Internal Auditors and recommended an extension of the current contract for a further 2 years. This was approved by Management Committee in December 2021

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2023

The IA programme for 2022/23 covered the following areas:

- Reactive Repairs
- Tenancy Sustainment
- Performance Management
- Gas Safety - this is carried out annually
- Follow up review

The Association is a member of the Housing Associations Internal Audit Forum (HAIAF) and uses this membership to support its internal audit activities.

Pension

The Association's Pension is detailed in note 22 in the Financial Statements.

The effects of the defined benefit pension liability have been modelled in the Association's 30-year business plan going forward. It reduces the Association's expenditure in other areas but overall the business plan objectives can be met. The business plan is regularly reviewed and updated, information including changes in pension liabilities are taken account of. The current business plan shows compliance with covenants across the 30-year period. The Association takes a prudent approach to risk, including pensions, and the treatment of these liabilities is regularly reviewed with Management Committee members and senior staff keeping abreast of pension changes.

The Management Committee received specialist pension advice on the final salary pension scheme and potential for withdrawal from the scheme. A proposal for consultation with staff will be prepared in the early part of 2023-24 with advice and support from Gordon Birrell of Chiene & Tait

Governance

Paragon Housing Association Ltd is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct Authority. Paragon is a Registered Social Landlord and a registered charity and was established under a Memorandum of Association which established the objects and powers of the Association.

The members of the Management Committee have suitable skills and experience to perform their roles and these are regularly supplemented by training and attendance at conferences and seminars.

Flora Wallace remained in the role of Chair with office bearer support being ably provided by June Anderson BEM as Vice Chair.

The AGM in September 2022 and business was successfully concluded with new committee members being elected.

Officers of the Association continued to be actively involved in the wider national housing movement with the Chair serving on the Executive Committee of Employers in Voluntary Housing as Treasurer and June Anderson is active in a number of bodies including the Clackmannanshire Tenant and Residents Federation, the Regional Tenant Network and SHR's National Tenant Panel

There was a change in the Management Team with Margaret Thompson being appointed to the post of Finance & Investment Manager on a permanent basis from December 2022.

Increased risks around cyber-crime activity are recognised and Cyber Essentials accreditation was retained in March 2023 with Stage 2 Cyber Essentials Plus accreditation being awarded in June 2023. Staff have undertaken mandatory Cyber Security training units during the year. Cyber security is a standing item on the agenda of the Audit Committee.

The Association makes an Annual Return on the Charter (ARC) to the Scottish Housing Regulator (SHR) and publishes information to stakeholders. There were a number of activities undertaken using good practice guidance to prepare the Annual Assurance Statement for submission to SHR in

Paragon Housing Association Limited

**Report of the Management Committee (continued)
For the year ended 31 March 2023**

November 2022. The Association was deemed compliant by SHR in its published engagement plan for the period 2023/24.

Going Concern

The Association has a strong cash position and continues to hold significant unencumbered assets.

The organisation remains financially stable. This view is supported by the most recent review of the 30-year cash flow going forward. These and other financial projections are regularly reviewed as part of the Business Planning cycle.

With the continued cost of living crisis continuing to affect tenants, an increased assumption of 5% for voids and bad debts has been budgeted for 2023/24. The Association has £13.5m cash at bank at 31 March 2023 (2022-£13.2m) and net current assets of £11.4m (2022-£11.3m). There are no material uncertainties in the Business Plan and all loan covenants are complied with for the duration of the plan.

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt/ the going concern basis of accounting in preparing the annual financial statements.

Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditor

RSM UK Audit LLP were re-appointed auditors to the Association at the Annual General Meeting in September 2022.

By Order of the Management Committee

Chair



Date 16/08/2023

Paragon Housing Association Limited

Report of the Management Committee For the year ended 31 March 2023

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the Management Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for instituting adequate systems of internal control and for:

- safeguarding assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities.
- the maintenance and integrity of the corporate and financial information included on the Paragon Housing Association website.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Paragon Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2023

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Management Team and Management Committee to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly/quarterly management accounts are prepared promptly, providing relevant, reliable, and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- the Audit Committee/Management Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The effectiveness of the Association's system of internal financial control has been reviewed by the Audit Committee/Management Committee for the year ended 31 March 2023. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee



Chair

Paragon Housing Association Limited

**Independent Auditor's Report to the Members of Paragon Housing Association Limited on
Internal Controls
For the year ended 31 March 2023**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 12 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 12 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.


RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date 1 September 2023

Opinion

We have audited the financial statements of Paragon Housing Association (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cashflows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about 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 Management Committee with respect of going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, 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 the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Management Committee

As explained more fully in the Management Committee's responsibilities statement set out on page 11, the Management Committee 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 Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

Paragon Housing Association Limited

Independent Auditor's Report to the Members of Paragon Housing Association Limited For the year ended 31 March 2023

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the Association operates in and how the Association is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Acts and the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are Housing (Scotland) Acts 2006, 2010, 2014, the Energy Efficiency Standard for Social Housing (EESH) and the Scottish Charity Regulator (OSCR). We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations, inspected correspondence with the Scottish Housing Regulator, and reviewed the Information Commissioner's Office online portal for indications of any breaches or improvement notices.

The audit engagement team identified the risk of management override of controls and the existence, completeness and valuation of income as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, in relation to management override of internal controls. Audit procedures in relation to assertion risks for income included but were not limited to substantive analytical review to test the grant and rental income that was recognised, selecting a sample of rental income to assess whether it was recognised in accordance with rent review letters or signed tenancy agreements which agree to the housing management system and corroborating a sample of other income to supporting documentation.

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

Use of our report

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


RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh EH3 8BL

Date: 1 September 2023

Paragon Housing Association Limited

**Statement of Comprehensive Income
For the year ended 31 March 2023**

	<i>Notes</i>	2023 £	2022 £
TURNOVER	2	6,635,967	6,397,555
Operating expenditure	2	(4,884,285)	(4,751,328)
OPERATING SURPLUS		1,751,682	1,646,227
Loss on disposal of housing properties	8	(46,566)	(20,553)
Interest receivable	6	68,496	2,148
Interest and financing costs	7	(796,723)	(601,565)
SURPLUS BEFORE TAX		976,889	1,026,257
Taxation		-	-
SURPLUS FOR THE YEAR		976,889	1,026,257
Actuarial gain/(loss) in respect of pensions scheme	22	(270,000)	463,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		706,889	1,489,257

Paragon Housing Association Limited

**Statement of Financial Position
For the year ended 31 March 2023**

	Notes	2023 £	2022 £
FIXED ASSETS			
Intangible assets	12	4,515	7,308
Housing properties	10	29,537,106	28,939,530
Other fixed assets	11	461,705	483,721
		<u>30,003,326</u>	<u>29,430,559</u>
CURRENT ASSETS			
Trade and other debtors	13	689,772	462,770
Cash and cash equivalents		13,538,724	13,161,549
		<u>14,228,496</u>	<u>13,624,319</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	<u>(2,838,373)</u>	<u>(2,295,880)</u>
NET CURRENT ASSETS		<u>11,390,123</u>	<u>11,328,439</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>41,393,449</u>	<u>40,758,998</u>
Creditors: Amounts falling due after more than one year	15	(22,423,931)	(22,661,369)
Defined benefit pension obligation	22	<u>(215,000)</u>	<u>(50,000)</u>
TOTAL NET ASSETS		<u><u>18,754,518</u></u>	<u><u>18,047,629</u></u>
RESERVES			
Share Capital	18	128	130
Income and expenditure reserve		18,754,390	18,047,499
TOTAL RESERVES		<u><u>18,754,518</u></u>	<u><u>18,047,629</u></u>

The financial statements were approved by the Management Committee and authorised for issue on 16/08/2023 and are signed on its behalf by:

Chair:
(Flora Wallace)

[Redacted Signature]

Treasurer:
(Malcolm Richards)

[Redacted Signature]

Secretary:
(Margaret Torrance)

[Redacted Signature]

Paragon Housing Association Limited

Statement of Changes in Reserves
For the year ended 31 March 2023

	Income and expenditure reserve £
Balance at 31 March 2021	16,558,242
Surplus for the year	1,026,257
<i>Other comprehensive income:</i>	
Actuarial losses in respect of pension scheme	463,000
Balance as at 31 March 2022	<u>18,047,499</u>
Surplus for the year	
<i>Other comprehensive income:</i>	706,889
Actuarial gains/(loss) in respect of pension scheme	(165,000)
Balance at 31 March 2023	<u>18,589,388</u>

Paragon Housing Association Limited

Statement of Cashflows
For the year ended 31 March 2023

	<i>Notes</i>	2023 £	2022 £
Net cash generated from operating activities	19	2,827,966	2,843,332
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets – housing properties		(1,563,410)	(898,491)
Purchase of intangible assets and other tangible fixed assets		(15,355)	(19,170)
Grants received		400,000	105,000
Interest received		68,496	2,148
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,110,269)</u>	<u>(810,513)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(816,938)	(608,775)
New secured loans		-	4,000,000
Repayments of borrowings		(523,596)	(523,594)
Issued share capital		12	2
NET CASH USED IN/(GAINED FROM) FINANCING ACTIVITIES		<u>(1,340,522)</u>	<u>2,867,633</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>377,175</u>	<u>4,900,452</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>13,161,549</u>	<u>8,261,097</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>13,538,724</u></u>	<u><u>13,161,549</u></u>

Paragon Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2023

1. ACCOUNTING POLICIES

LEGAL STATUS

The Association is registered in Scotland under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is Invergrange House, Station Road, Grangemouth, FK3 8DG.

The Association's principal activity is the provision of social rented accommodation. The nature of the Association's operations is discussed in the Management Committee report.

Paragon Housing Association Limited meets the definition of a Public Benefit Entity.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

The financial statements are prepared in Sterling (£).

GOING CONCERN

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The organisation remains financially stable. This view is supported by the most recent review of the 30-year cash flow going forward. These and other financial projections are regularly reviewed as part of the Business Planning cycle. There are challenges around rising inflation rates and there is ongoing surveillance of rates and projections. Assumptions are reviewed during the business planning process.

The Association has stress tested the impact of continued high inflation rates as part of the Business Planning process and has separately identified an additional assumption of 5% for voids and bad debts 2022/23 and 2023/24. The Association has £13.5m cash at bank at 31 March 2023 (2022 £13.1m) and net current assets of £11.4m (2022 £11.3m). There are no material uncertainties in the Business Plan and all loan covenants are complied with for the duration of the plan.

TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income receivable in the period, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

GOVERNMENT GRANTS

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset (excluding land) under the accruals model.

1. ACCOUNTING POLICIES (continued)

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

INTANGIBLE ASSETS

All intangible assets shall be considered to have a finite useful life. The use of intangible assets that arises from contractual or other legal rights but may be shorter depending on the period over which the entity expects to use the asset. Currently amortisation is over a period of 3 years using the straight line method. Amortisation of intangible assets is included in operating costs.

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are held to fulfil a social housing need and therefore, in accordance with the RSL SORP, they are disclosed as property plant and equipment and not investment properties. These properties are principally properties available for rent. Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

DEPRECIATION OF HOUSING PROPERTIES

The Association separately identifies the major components of 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 the following years:

Structure	60 years
Land	Nil
Assets under construction	Nil
Windows	35 years
Doors	25 years
Kitchens	20 years
Sanitaryware	30 years
Roof	60 years
Boilers	15 years
Central Heating System	25 years

1. ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FIXED ASSETS

A cash generating unit is determined for impairment purposes by considering individual properties. An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the statement of comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and net of depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Computer equipment	33% on cost
Office property	2% on cost
Fixtures, fittings and equipment	25% on cost

A full year's depreciation is charged on those assets in the year of purchase but no charge is made in the year of disposal. Each asset is reviewed on its own merit and a decision is taken whether to capitalise or expend.

APPORTIONMENT OF MANAGEMENT EXPENSES

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of the costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

TAXATION

Paragon Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

VAT

The Association is not VAT registered. Expenditure is shown inclusive of VAT.

DEPOSITS AND LIQUID RESOURCES

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

1. ACCOUNTING POLICIES (continued)

LEASES

Operating Leases

All other leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

SCOTTISH HOUSING ASSOCIATION PENSION SCHEME (SHAPS)

The Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The net defined benefit pension deficit liability has been included within the provisions for pensions liability in the financial statements. The current service cost and costs from settlements and curtailments are charged against operating surplus.

Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability and recognised under interest payable. Remeasurements are reported in other comprehensive income. Refer to Note 22 for more details

1. ACCOUNTING POLICIES (continued)

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.

Financial assets

Basic financial assets, which include trade debtors, other debtors, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the transaction constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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 trade 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 income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Concessionary loans

The Association has entered into two concessionary loan agreements where the interest rates on the relevant loans are nil. The Association, in accordance with the fact that it is a Public Benefit Entity, has measured these loans at cost within the financial statements. Further information can be found in note 17.

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.

1. ACCOUNTING POLICIES (continued)

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 22). The net defined benefit pension liability at 31 March 2023 was £215,000.

Useful lives

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the asset management projections and reactive repairs expenditure.

Recoverable amount of rent arrears and other debtors

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	<i>Notes</i>	Turnover £	Operating costs £	Gain or loss on disposals of fixed assets £	2023 Operating surplus/(deficit) £	2022 Operating surplus/(deficit) £
Affordable letting activities	3	6,507,439	(4,755,757)	-	1,751,682	1,646,227
Other activities	4	128,528	(128,528)	-	-	-
Loss on disposal of housing properties	8	-	-	(46,566)	(46,566)	(20,553)
Total		6,635,967	(4,884,285)	(46,566)	1,705,116	1,625,674
Total for previous reporting period		6,397,555	(4,751,328)	(20,553)	1,625,674	

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Social Housing £	Supported Social Housing Accommodation £	Total 2023 £	Total 2022 £
Rent receivable net of service charges	6,356,231	86,434	6,442,665	6,243,725
Service charges	10,587	-	10,587	4,179
Gross income from rents and service charges	6,366,818	86,434	6,453,252	6,247,904
Less voids	(101,545)	(196)	(101,741)	(70,601)
Net income from rents and service charges	6,265,273	86,238	6,351,511	6,177,303
Grants released from deferred income	89,975	-	89,975	86,872
Revenue grants from Scottish Ministers	65,953	-	65,953	65,686
Other revenue grants	-	-	-	-
Total turnover from affordable letting activities	6,421,201	86,238	6,507,439	6,329,861
Management and maintenance administration costs	1,838,297	8,522	1,846,819	1,797,517
Service costs	-	-	-	-
Planned and cyclical maintenance including major repairs costs	772,500	4,158	776,658	927,706
Reactive maintenance costs	1,252,438	34,735	1,287,173	1,044,499
Bad debts - rents and service charges	(74,162)	-	(74,162)	32,387
Depreciation of affordable let properties	906,483	12,786	919,269	881,525
Operating Costs for affordable letting activities	4,695,556	60,201	4,755,757	4,683,634
Operating surplus for affordable letting activities	1,725,645	26,037	1,751,682	1,646,227
Operating surplus for affordable letting activities for previous reporting period	1,659,124	(12,897)	1,646,227	

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous reporting period £
Factoring	-	-	-	48,220	48,220	-	(48,220)	-	-
Other sundry activities	-	-	-	74,328	74,328	-	(74,328)	-	-
Other activities – insurance and tenant recharges	-	-	-	5,980	5,980	-	(5,980)	-	-
Total from other activities	-	-	-	128,528	128,528	-	(128,528)	-	-
Total from other activities for the previous reporting period	-	-	-	67,694	67,694	-	(67,694)	-	

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

5. ACCOMMODATION IN MANAGEMENT	2023 Units	2022 Units
General needs housing	1,424	1,414
Supported housing	21	21
TOTAL UNITS IN MANAGEMENT	<u>1,445</u>	<u>1,435</u>
6. INTEREST RECEIVABLE AND SIMILAR INCOME	2023 £	2022 £
Interest on bank deposits	68,496	2,148
	<u>68,496</u>	<u>2,148</u>
7. INTEREST PAYABLE AND SIMILAR CHARGES	2023 £	2022 £
Interest arising on:		
Bank loans and overdrafts	816,938	608,775
Adjustment to effective interest rate	(20,215)	(18,210)
Defined benefit pension charge	-	11,000
	<u>796,723</u>	<u>601,565</u>
8. OPERATING SURPLUS	2023 £	2022 £
Operating surplus is stated after charging:		
Depreciation of housing properties (note 10)	919,269	881,525
Depreciation of other tangible fixed assets (note 11)	38,515	36,191
Amortisation of intangible assets (note 12)	4,346	4,035
Deficit on disposal of tangible fixed assets	46,566	20,553
Operating lease rentals	<u>50,503</u>	<u>36,661</u>

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	2023 £	2022 £
Audit services - Statutory audit of the Association	21,054	19,140
Non audit services – Finance support	11,316	19,320
Non audit services – Taxation advisory support	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

9. EMPLOYEES

	2023	2022
	No.	No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Administration	9	9
Housing management	16	15
Property and regeneration	4	4
	<u>29</u>	<u>28</u>
	2023	2022
	£	£
Staff costs for the above persons:		
Wages and salaries	1,061,863	954,418
Social security costs	108,143	89,345
Other pension costs and current service cost (note 22)	205,375	251,531
Agency costs	45,645	100,452
	<u>1,416,026</u>	<u>1,395,746</u>

Key management personnel are defined as the members of the Management Committee and the Director and the Executive Officers. The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	No.	No.
£60,000 - £70,000	3	0
£70,000 - £80,000	1	1
	2023	2022
	£	£
Aggregate emoluments of key management personnel (excluding pension contributions)	<u>261,497</u>	<u>255,556</u>
The emoluments of the director (excluding pension contributions)	<u>79,093</u>	<u>75,978</u>
Aggregate pension contributions in relation to the director	<u>12,813</u>	<u>12,308</u>
Total emoluments payable to the director	<u>91,906</u>	<u>88,286</u>

No payment or fees or other remuneration was made to the Committee of Management members during the year (2022: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting
Cost	
1 April 2022	38,839,445
Additions	511,233
Works to existing properties	1,052,177
Disposals	(200,939)
31 March 2023	<u>40,201,916</u>
Depreciation and impairment	
1 April 2022	(9,899,915)
Depreciation charged in year	(919,269)
Released on disposal	154,374
31 March 2023	<u>(10,664,810)</u>
Net book value	
31 March 2023	<u>29,537,106</u>
31 March 2022	<u>28,939,530</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2023	2022
	£	£
Improvement work capitalised:		
Replacement component spend capitalised	647,503	725,839
Amounts charged to income and expenditure	776,523	822,411
Total major repairs spend	<u>1,424,026</u>	<u>1,548,250</u>
	2023	2022
	£	£
Value of Land included in costs	<u>6,708,557</u>	<u>6,580,985</u>

11. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and fittings £	Total £
Cost			
1 April 2022	694,105	172,761	866,866
Additions	-	13,801	13,801
Disposals	-	-	-
31 March 2023	<u>694,105</u>	<u>186,561</u>	<u>880,666</u>
Depreciation and impairment			
1 April 2022	(234,959)	(148,186)	(383,145)
Depreciation charged in year	(13,882)	(21,933)	(35,815)
31 March 2023	<u>(248,841)</u>	<u>(170,119)</u>	<u>(418,960)</u>
Net book value			
31 March 2023	<u>445,264</u>	<u>16,442</u>	<u>461,706</u>
31 March 2022	<u>459,146</u>	<u>24,575</u>	<u>483,721</u>

12. INTANGIBLE ASSETS

	Software £
Cost	
1 April 2022	246,663
Additions	1,554
Disposals	-
31 March 2023	<u>(248,218)</u>
Amortisation	
1 April 2022	(239,355)
Charge for the year	(4,346)
31 March 2023	<u>(243,702)</u>
Net book value	
31 March 2023	<u>4,515</u>
31 March 2022	<u>7,308</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

13. DEBTORS		
	2023	2022
	£	£
Amounts falling due within one year:		
Rent and service charges receivable	448,208	305,016
Less: provision for bad and doubtful debts	<u>(118,968)</u>	<u>(193,442)</u>
	329,240	111,574
Other debtors	78,360	86,980
Prepayments and accrued income	<u>282,167</u>	<u>264,216</u>
	<u>689,767</u>	<u>462,770</u>
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2023	2022
	£	£
Debt (note 17)	691,883	691,332
Rent and service charges received in advance	410,774	378,126
Deferred capital grants (note 16)	89,975	86,872
Trade creditors	336,470	138,823
Other taxation and social security costs	28,694	25,038
Other creditors	311,141	279,834
Holiday pay accrual	26,598	28,713
Accruals and deferred income	<u>942,838</u>	<u>667,142</u>
	<u>2,838,373</u>	<u>2,295,880</u>
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	2023	2022
	£	£
Debt (note 17)	17,978,381	18,522,741
Deferred capital grant (note 16)	<u>4,445,550</u>	<u>4,138,628</u>
	<u>22,423,931</u>	<u>22,661,369</u>
16. DEFERRED CAPITAL GRANT		
	2023	2022
	£	£
As at 1 April	4,225,500	4,242,372
Grant received in the year	400,000	70,000
Capital grant released	<u>(89,975)</u>	<u>(86,872)</u>
As at 31 March	4,535,525	4,225,500
Amounts to be released within one year	89,975	86,872
Amounts to be released in more than one year	<u>4,445,550</u>	<u>4,138,628</u>
	<u>4,535,525</u>	<u>4,225,500</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

17. DEBT ANALYSIS – BORROWINGS

	2023 £	2022 £
Creditors: amounts falling due within one year:		
Bank loans	691,883	691,332
	<u>691,883</u>	<u>691,332</u>
Creditors: amounts falling due after more than one year:		
Bank loans	17,978,381	18,522,741
Total	<u><u>18,670,264</u></u>	<u><u>19,214,073</u></u>

Bank borrowings of £17,929,246 (2022: £18,189,460) are secured against the Association's housing properties. The fixed rate for the bond is 5.193% and the RBS loan rate is SONIA + 1.55% margin. The Association has entered into two concessionary loan arrangements whereby no interest is payable on the loans – one from the Energy Savings Trust is repayable in equal instalments over a 10 year period ending April 2027, and the other from the Scottish Government is repayable in equal instalments over 5 years ending March 2025. The total value of the concessionary loans entered into is £741,019 (2022: £1,024,613) with £283,595 payable in less than one year (2022: £283,594) and £457,424 payable in more than one year (2022: £741,019).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2023 £	2022 £
Due within one year	691,883	691,332
Due in one year or more but less than two years	692,443	691,883
Due between two and five years	7,575,807	8,086,432
Due more than five years	9,710,131	9,744,426
	<u><u>18,670,264</u></u>	<u><u>19,214,073</u></u>

18. SHARE CAPITAL

Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

	2023 £	2022 £
Number of members		
1 April	130	140
Joined during the year	12	2
Left during year	(14)	(12)
31 March	<u><u>128</u></u>	<u><u>130</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

19. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM / (USED IN) OPERATIONS		
	2023 £	2022 £
Surplus for the year	706,889	1,489,257
Adjustments for non-cash items:		
Depreciation of fixed assets / amortisation of intangible assets	959,430	921,751
Amortisation of deferred capital grant	(89,975)	(86,871)
Movement in Defined Benefit Pension Liability	165,000	(546,000)
Loss/(Gain) on disposal of tangible fixed assets	46,566	20,553
Loss on disposal of intangible and other fixed assets	-	-
Interest receivable	(68,496)	(2,148)
Interest payable	796,723	590,565
Cancelled shares	(14)	(12)
Operating cash flows before movements in working capital	<u>2,516,123</u>	<u>2,387,095</u>
Decrease/(increase) in trade and other debtors	(226,997)	50,741
(Decrease)/increase in trade and other creditors	538,840	405,496
Cash generated from / (used in) operations	<u>2,827,966</u>	<u>2,843,332</u>

CASH AND CASH EQUIVALENTS

	2023 £	2022 £
Cash and cash equivalents represent:-		
Cash at bank and in hand	<u>13,538,724</u>	<u>13,161,549</u>

Net debt reconciliation

	At April 2022 £	Cash flow £	Non-cash movements £	At 31 March 2023 £
Cash at bank and in hand	13,161,549	377,175	-	13,538,724
Debt: due within one year	(691,332)	335,425	(335,976)	(691,883)
Debt: due after one year	(18,522,741)	188,169	356,191	(17,978,381)
	<u>(6,052,524)</u>	<u>900,769</u>	<u>20,215</u>	<u>(5,131,540)</u>

20. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2023 £	2022 £
Expenditure authorised by the board which is contracted for	<u>1,020,174</u>	<u>900,456</u>

The capital commitments will be financed through existing cash reserves.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

21. COMMITMENTS UNDER OPERATING LEASES

	2023	2022
	£	£
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Amounts due:		
Within one year	33,659	33,659
Between one and five years	5,853	12,766
	<u>39,551</u>	<u>46,424</u>

22. RETIREMENT BENEFITS

Paragon Housing Association participates in the Scottish Housing Association Pension Scheme (SHAPS), a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the United Kingdom.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2021. This actuarial valuation showed assets of £1,173m, liabilities of £1,200m and a deficit of £27m. As a result, the Trustee has waived additional contributions to the scheme for participating employers. This came into effect from October 2022.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

For the year ended 31 March 2023, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2021 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2023 by a qualified independent actuary.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

22. RETIREMENT BENEFITS (continued)

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset/(Liability)

	31 March 2023 £'000	31 March 2022 £'000
Fair value of plan assets	4,121	6,238
Present value of defined benefit obligation	4,336	6,288
Surplus/(deficit) in plan	(215)	(50)
Unrecognised surplus	-	-
Defined benefit asset/(liability) to be recognised	<u>(215)</u>	<u>(50)</u>
Deferred tax	-	-
Net defined benefit asset/(liability) to be recognised	<u>(215)</u>	<u>(50)</u>

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2023 £'000	31 March 2022 £'000
Defined benefit obligation at 1 April 2022	6,288	6,205
Current service cost	49	130
Expenses	5	5
Interest expense	172	134
Contributions by plan participants	64	73
Actuarial losses/(gains) due to scheme experience	(242)	332
Actuarial losses/(gains) due to changes in demographic assumptions	(102)	20
Actuarial losses/(gains) due to changes in financial assumptions	(1,523)	(502)
Benefits paid and expenses	<u>(375)</u>	<u>(109)</u>
Defined benefit obligation at 31 March 2023	<u>4,336</u>	<u>6,288</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2023

22. RETIREMENT BENEFITS (continued)

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	31 March 2023	31 March 2022
	£'000	£'000
Fair value of plan assets at 1 April 2022	6,238	5,609
Interest income	172	123
Experience on plan assets (excluding amounts included in interest income) - gain	(2,137)	313
Contributions by the employer	159	229
Contributions by plan participants	64	73
Benefits paid and expenses	(375)	(109)
	<hr/>	<hr/>
Fair value of plan assets at 31 March 2023	4,121	6,238

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	Period from 1 April 2022 to 31 March 2023	Period from 1 April 2021 to 31 March 2022
	£'000	£'000
Current service cost	49	130
Expenses	5	5
Net interest expense	-	11
	<hr/>	<hr/>
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	54	146

Defined Benefit Costs Recognised in Other Comprehensive Income

	Period ended 31 March 2023	Period ended 31 March 2022
	£000	£000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(2,137)	313
Experience gains and losses arising on the plan liabilities – gain/(loss)	242	(332)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	102	(20)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	1,523	502
	<hr/>	<hr/>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	(270)	463
	<hr/>	<hr/>
Total amount recognised in other comprehensive income – gain/(loss)	(270)	463

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2023

22. RETIREMENT BENEFITS (continued)

Assets	31 March 2023 £'000	31 March 2022 £'000
Global Equity	109	1,233
Absolute Return	56	286
Distressed Opportunities	127	224
Credit Relative Value	157	200
Alternative Risk Premia	24	258
Emerging Markets Debt	32	232
Risk Sharing	300	203
Insurance-Linked Securities	115	131
Property	172	162
Infrastructure	444	389
Private Debt	184	157
Opportunistic Illiquid Credit	182	207
High Yield	21	61
Opportunistic Credit	-	22
Cash	17	17
Corporate Bond Fund	5	394
Liquid Credit	-	40
Long Lease Property	138	180
Secured Income	276	333
Over 15 Year Gilts	-	3
Liability Driven Investment	1,745	1,509
Currency Hedging	8	(23)
Net Current Assets	9	20
Total assets	4,121	6,238

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by or other assets used by the employer.

Key Assumptions	31 March 2023 % per annum	31 March 2022 % per annum
Discount Rate	4.89	2.79
Inflation (RPI)	3.2	3.62
Inflation (CPI)	2.72	3.21
Salary Growth	3.72	4.21
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

Life expectancy at age 65 (Years)	2023	Life expectancy at age 65 (Years)	2022
Male retiring in 2022	20.5	Male retiring in 2021	21.6
Female retiring in 2022	23.0	Female retiring in 2021	23.9
Male retiring in 2042	21.7	Male retiring in 2041	22.9
Female retiring in 2042	24.4	Female retiring in 2041	25.4

23. RELATED PARTY TRANSACTIONS

The following members of the Management Committee are also tenants of the Association:

Elizabeth McNie
Flora Wallace
Malcolm Richards

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £14,096 (2022: £15,354) of rent was receivable from these tenant members and their close family members. At the year-end there were £489 (2022: £338) of rent arrears due from these tenant members and their close family members.

Flora Wallace is an Executive Committee Member and Treasurer of EVH. During the year the Association spent £11,007 (2022: £11,870) on training and services from EVH.

Malcolm Richards is a board member of TIS. During the year the Association spent £741 (2022: £416) on training and services from TIS.

24. CONTINGENT LIABILITIES

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2022.

As of this date the estimated employer debt for Paragon Housing Association was £1,757,567.

The Association has been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over recent years. The Trustee has been advised to seek clarification from the Court on potential changes to the pension liability. This process is ongoing and the Association understands that the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until the outcome of the Court process is known, it is not possible to calculate the impact on the liabilities of this issue, particularly on an individual employer basis, with any accuracy for the purposes of the 31 March 2023 financial statements. Accordingly, no adjustment has been made in these financial statements in respect of this potential issue.