
PARAGON HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Paragon Housing Association Limited

**Report and Financial Statements
For the year ended 31 March 2020**

Contents	Page
Management Committee, Executives and Advisers	2
Report of the Management Committee	3-8
Statement of Management Committee's Responsibilities	9
Management Committee's Statement of Internal Financial Control	10
Independent Auditor's Report on Corporate Governance Matters	11
Independent Auditor's Report	12-13
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Reserves	16
Statement of Cashflows	17
Notes to the Financial Statements	18-38

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 2020

Management Committee

Flora Wallace	Chair
Michael Hesketh	Joint Vice Chair
June Anderson	Joint Vice Chair
Susan Robertson	Treasurer
Elisabeth Campbell	
Louisa Hesketh	
Allyson Black	Resigned 11/12/2019
Rosie Murray	
Fiona Speirs	
Elizabeth McNie	
Malcolm Richards	Appointed 18/09/2019
Kathleen Menzies	Appointed 11/03/2020

Executive Officers

Margaret Torrance	Director
Pamela Milne	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
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

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 8EH

Paragon Housing Association Limited

Report of the Management Committee For the year ended 31 March 2020

The Management Committee presents their report and audited financial statements for the year ended 31 March 2020.

Principal Activities

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

Objectives

The Association has set a Vision and Mission 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.

VISION: "To be a model of excellence among housing providers delivering high quality service and performance."

MISSION: "To put the people we serve at the heart of our services and to put heart into our communities."

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.

Coronavirus Impact

Good progress was made in meeting objectives throughout the year however at the end of the year the Coronavirus Pandemic had an impact on services and performance. This pandemic has affected businesses and economies on a global scale.

The Association was in a strong position to respond to the situation having an up to date Contingency Plan in place, capacity for homeworking for staff and being in a strong financial position. Governance and participation activities have continued. This has included the performance of external and internal audit activities remotely. This has allowed the orderly continuation of services albeit on a reduced scale due to the restrictions of lockdown.

A risk based approach is being taken regarding the resumption of services with a "Road Map" being in place which reflects Scottish Government and national guidance. The financial position is under constant review with performance monitoring and sensitivity analysis in place. There are uncertainties going forward but there is a high level of awareness and a common purpose within the organisation to work to fully restore services.

There were areas of positive performance throughout the year as discussed further below.

Development and Performance

Financial Performance

The Association achieved an operating surplus for the year of £1.7m (2019 - £1.3m). The total comprehensive income for the year was £1.6m (2019 - £0.5m). This increase on prior year's results includes an actuarial gain in respect of the pension scheme of £515k compared to an actuarial loss of £342k in 2019 and has resulted in a reduction of the pension liability of £576k. The reduction 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 £4.4m (2019 - £4.7m). Included in these operating costs is expenditure on reactive, cyclical and planned maintenance. The Association spent £1.9m (2019 - £2m) on these activities. Included in this expenditure is work on the installation of smoke detectors

Financial Performance (continued)

and heat detectors. This is a requirement of The Housing (Scotland) Act 1987 which was amended to incorporate this. The Association received a Scottish Government interest free loan of £996k for this work which is included in the loan balance in the financial statements. This work will be completed by February 2021. A further £1m (2019 - £1.1m) of work to existing properties was treated as capital expenditure.

Our Rent Arrears have increased by £70k this year to £399k (2019 - £329k). The reason for this is our income from Housing Benefit has reduced and we have seen an increase in Universal Credit claims which has resulted in an increase in the time taken for rental income to be received.

Our voids have reduced in the year. This year our void loss is £42k (2019 - £51k) with void days reducing from 4,502 days to 3,026 days. Significant work has been undertaken by the Association to reduce the re-let times for void properties.

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

The successful BBOOM policy continued to operate within the Falkirk Council area 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 2019/20 the purchase of six units were concluded and to date for 2020/21 the acquisition of two units have been concluded with a further one offer being accepted. There were no acquisitions under the Scottish Government's Mortgage to Rent Scheme during the year.

SHQS & EESSH

Prior to Coronavirus lockdown in mid-March 2020 good progress was being made to maintain and meet the SHSQ and EESSH through the delivery of the 2019/20 investment programme.

The projects affected by this are 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 partly due to the Coronavirus pandemic is assessed at £536,990. When the Scottish Government moves to Phase 3 of the Route Map, these works will commence to completion. Currently Phase 3 of the Government's Route Map is in operation with all contractors returning to site during July/August.

Risk Assessments & Method Statements (RAMS) were prepared and submitted to the Association's consultants dealing with Construction (Design and Management) Regulations 2007 requirements including health and safety management. These required to be approved and signed off prior to any site start. This inevitably will have an impact on the works planned for 2020/21 given timescales to procure and potentially ongoing restrictions on working practices in relation to the pandemic.

As at March 2020 91% (1302/1428) of the Association's properties are meeting the Scottish Housing Quality Standard (SHQS) and 91% (1296/1428) are meeting the Energy Efficiency Standard Social Housing (EESSH), which has a target delivery date of December 2020.

The areas of non-compliance for the SHQS are where owners have not agreed to take part in Door Entry System (DES) improvement work or where access has not been granted for heating replacement works.

The Association has undertaken considerable work to produce a Door Entry Strategy in an attempt to engage owners to take part in this improvement work and some have agreed. In addition to this and through the Association's Buy Back on Open Market (BBOOM) Policy, there has been a net increase in the failure rate by 3 flatted properties. Longer term these acquisitions will help the Association to

SHQS & EESSH (continued)

meet the strategic objective of compliance with the SHQS through the installation of Door Entry Systems (DES) in blocks which are failing. Progress has been made with these DES installations.

A small number of properties (2 in total) are not meeting the SHQS Energy Efficiency Standard at the year end. This is due to no access or refusal by the tenant of a new heating replacement. The number was to reduce to 1 as there was due to be a change of tenancy (void) by end March 2020. This has been delayed due to the pandemic lockdown.

Major investment was undertaken to improve energy efficiency through a programme of External Wall Insulation (EWI), Cavity Wall Insulation (CWI) and boiler replacement during 2019/20 and due to Covid-19 the boiler replacement will continue into 2020/21 in order to complete 2019/20 works.

JRW Repairs & Gas Maintenance Contracts

Following an extensive tendering exercise in 2017/18 from 1st April 2018 The McDougall Group were appointed as JRW Repairs Contractors and City Technical Services were appointed as Gas Contractors. The contracts are currently in year 3 of operation and both contractors have been able to provide a full emergency service in response to the Coronavirus Pandemic.

Tenancy Sustainment

The Association partnered with Link Housing Association in delivering a tenancy support service through LinkLiving providing intensive one to one support to tenants requiring help to manage their

tenancy and other day to day affairs, particularly in challenging conditions. The project is called HoME – "Help on Managing Everything" – and the response and outcomes to date have been very positive. In addition the Association employs a Tenancy Sustainment Officer and this has proved to be of particular value during the pandemic situation.

Tenant Engagement

In 2018/19 the Association took part in the Scottish Government's Next Steps Programme, supported by the Tenants Information Service (TIS). One outcome was the relaunch of the Tenant Scrutiny Panel in April 2019 and an agreed programme of meetings were set up. The Panel expressed a particular interest in Reactive Repairs and met with contractors and the Association's internal auditors. The recommendations from these activities are being used to develop and implement an action plan.

A number of open events were held to encourage involvement including the Estates Team running a number of joint sessions with other bodies such as the Dogs Trust and Falkirk Council's Waste Management Team. There was a positive response to these events. Staff also joined in with community events such as the Gill Park Residents & Tenants Association Litter Picks.

The Association remains committed to collecting meaningful tenant feedback and since September 2019 Knowledge Partnership who provide survey services to the Association have been contacting a sample of tenants monthly by telephone to get feedback on how tenants feel the Association is performing including against key (Annual Return on the Charter) performance indicators.

Future Prospects

The Association continues to operate from a stable financial and organisational base. Development activities and buy backs continue to support planned growth, despite the pandemic restrictions. The planned stock investment programme going forward includes a major roofing and rendering programme, central heating upgrades, sanitaryware replacements, kitchens and door entry system installations.

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2020

Future Prospects (continued)

The *Housing (Scotland) Act 1987* was amended to reflect the new requirements around smoke detectors and heat detectors. The work requires to be completed by February 2021. The Association made a successful bid for a Scottish Government interest free loan of £995,981 to support the installations. There was good progress being made towards this before the Coronavirus lockdown with 440 properties having the required units installed. The appointed framework contractor was completing 4 properties per day giving an estimated 250 labour days required to complete all stock. To date 60 days installations have been lost therefore installations are behind at a rate of circa 240 properties. Installations recommenced in July and the aim is to ensure that the February 2021 target date is achieved. However there is risk that the target date may not be achieved given the uncertainties on the timing of any work restriction due to the pandemic and any resulting supply side issues.

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 being provided with quarterly risk updates. Risk is currently under review including the impact of the Coronavirus Pandemic which brings new uncertainties which are difficult to quantify at this time.

The Association's Contingency Plan was reviewed during the year by the Management Committee and Business Continuity and Risk Management was the subject of an Internal Audit Review during October 2019. There were no priority recommendations made as part of the review and it was recognised that there is a strong focus within the organisation on the identification and management of risk.

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

Risk	Response / Control Action
Impact of Welfare Reform and its impact on rent arrears & voids performance. This is exacerbated by Coronavirus Pandemic impact.	- Specialist Tenancy Sustainment Officer in post - Liaise with DWP on universal credit matters - Internal Audit voids business process review - Ongoing monitoring and reporting on arrears and voids performance - PHA Route Map to service restoration being developed - Business Plan sensitivity analysis
Achieving and maintaining investment to meet the Scottish Housing Quality Standard, Energy Efficiency Standard Social Housing (Scotland) and any further standards This is exacerbated by Coronavirus Pandemic impact as the programme of works has slowed due to lockdown measures. Service restoration under social distancing regulations will slow work progress on site.	- Business plan which sets out resources and targets to deliver both SHQS and EESSH - Ongoing programme of investment in improvements such to achieve the standards - 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 - PHA Route Map to service restoration being developed - Business Plan sensitivity analysis
Pension liabilities	- Membership of EVH SHAPS Support Group to monitor developments - Specialist advice sought and consultation planned

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2020

Risk	Response / Control Action
Ensuring compliance with regulatory standards	- Training and awareness sessions for staff and committee - Use of Scotland's Housing Network compliance assessment tool and SFHA Toolkit - Internal Audit
Risks associated with undertaking development activities	- Business plan which sets out resources to deliver development programme - Project approvals process in place - Development strategy in place which sets out clear approach - Working with experienced partners to deliver development services - Ongoing monitoring and reporting of progress

The actions taken have generally been effective in controlling the identified risks however there are areas of uncertainty due to Coronavirus Pandemic impact.

Internal Audit

Internal audit (IA) services were provided by Henderson Loggie.

The IA programme for 2019/20 covered the following areas:

- Business Continuity and Risk Management
- Gas Safety – this is undertaken annually by the Association together with a technical audit of the service
- Rent Collection and Arrears
- Reactive Repairs Business Process Review

There were no urgent recommendations made as part of any of the audits and Internal Audit Needs Assessment was also carried out to inform the forward programme.

Henderson Loggie undertook a business process review in 2018/19 focussing on void management. Work continued in 2019/20 to implement the findings with resulting positive performance trends. Re-let times have reduced from an average of 42.9 days in 2017/18 and 36.3 days in 2018/19 to an average of 25.9 days in 2019/20 against a target of 28 days.

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 25 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 during the year and there is a plan in place to carry out a full consultation with staff on this pension.

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2020

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 for their role 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 Michael Hesketh and June Anderson as joint Vice Chairs and Susan Robertson as Treasurer.

Officers of the Association are actively involved in the wider national housing movement with the Chair serving on the Executive Committee of Employers in Voluntary Housing as Treasurer and Michael Hesketh, Vice Chair serving on the Executive Committee of SHARE.

Members of the Committee continued to attend training and conferences through the year. In November 2019 a Fraud Training course was held with input from Henderson Loggie, Internal Auditors and Police Scotland's Specialist Crime Division.

A stock tour and induction day was held in December 2019 giving Management Committee members an opportunity to see work on site including the management of void properties.

In October 2019 Scottish Registered Social Landlords became the subject of the Freedom of Information (Scotland) Act 2002 (FOISA) and a Scheme of Publications was published in accordance with the requirements of the Act. RGDP was appointed to undertake the formal role of Data Protection Officer in line with the requirements of the Act.

A successful grant application was made to SCVO for support to obtain Cyber Essentials Plus accreditation and Stage One, Cyber Essentials was obtained in May 2020 with Stage 2 Cyber Essentials Plus planned for summer 2020.

RSM UK Audit LLP were re-appointed auditors to the Association at the Annual General Meeting in September 2019.

The Association makes an Annual Return on the Charter (ARC) to the Scottish Housing Regulator (SHR) and publishes information to stakeholders. During the year staff and office bearers took part in a number of activities to prepare the first Annual Assurance Statement. This was submitted to SHR in October 2020 in line with the requirements.

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.

The Association has stressed tested the impact of COVID-19 as part of the Business Planning process and has separately identified an additional assumption of 3% for voids and bad debts and £100k for exceptional COVID-19 related costs for 2020/21 and 2021/22. The Association has £7.6m cash in the bank at 31 March 2020 (2019-£7.3m) and net current assets of £6.2m (2019-£5.3m). Money was taken off deposit prior to the year end to have more available liquid cash. 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.

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2020

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

In June 2020 the Association tendered for external audit services. A resolution for the appointment of the new auditors of the Association will be proposed at the Annual General Meeting.

By Order of the Management Committee

Chair



Date

19/8/2020

Paragon Housing Association Limited

Statement of Management Committee's Responsibilities For the year ended 31 March 2020

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Management Committee is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

Paragon Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2020

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 2020. 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

Date: 19/8/2020

Paragon Housing Association Limited

**Independent Auditor's Report to the Members of Paragon Housing Association Limited on
Corporate Governance Matters
For the year ended 31 March 2020**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 10 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 10 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
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date 24/8/20.

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2020**

Opinion

We have audited the financial statements of Paragon Housing Association Ltd (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, and Statement of Cashflows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 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

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

- the Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Committee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the 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.

Paragon Housing Association Limited

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2020**

Responsibilities of the Committee

As explained more fully in the Committee's responsibilities statement set out on page 9, the 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 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 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 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.

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
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 24/8/20

Paragon Housing Association Limited

**Statement of Comprehensive Income
For the year ended 31 March 2020**

	Notes	2020 £	2019 £
TURNOVER	2	6,203,898	5,985,860
Operating expenditure	2	(4,440,805)	(4,667,129)
Loss on disposal of housing properties	9	(27,532)	(5,651)
OPERATING SURPLUS		1,735,561	1,313,080
Interest receivable	6	29,219	37,183
Interest and financing costs	7	(654,879)	(648,616)
SURPLUS BEFORE TAX		1,109,901	701,647
Taxation		-	-
SURPLUS FOR THE YEAR		1,109,901	701,647
Initial recognition of multi-employer defined benefit scheme		-	94,000
Actuarial gain/(loss) in respect of pensions scheme	25	515,000	(342,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,624,901	453,647

The results relate wholly to continuing activities.

Paragon Housing Association Limited

**Statement of Financial Position
For the year ended 31 March 2020**

	Notes	2020 £	2019 £
FIXED ASSETS			
Intangible assets	13	6,885	18,313
Housing properties	11	29,046,459	28,496,406
Other fixed assets	12	495,661	449,018
		<u>29,549,005</u>	<u>28,963,737</u>
CURRENT ASSETS			
Trade and other debtors	14	558,320	431,326
Cash and cash equivalents		7,606,522	7,324,970
		<u>8,164,842</u>	<u>7,756,296</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	<u>(1,925,396)</u>	<u>(2,502,174)</u>
NET CURRENT ASSETS			
		<u>6,239,446</u>	<u>5,254,122</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>35,788,451</u>	<u>34,217,859</u>
Creditors: Amounts falling due after more than one year	16	<u>(19,857,021)</u>	<u>(19,335,312)</u>
Defined benefit pension obligation	24	<u>(137,000)</u>	<u>(713,000)</u>
TOTAL NET ASSETS			
		<u>15,794,430</u>	<u>14,169,547</u>
RESERVES			
Share Capital		162	180
Income and expenditure reserve		15,794,268	14,169,367
TOTAL RESERVES			
		<u>15,794,430</u>	<u>14,169,547</u>

The financial statements were approved by the Management Committee and authorised for issue on 19th August 2020 and are signed on its behalf by:

Chair:
(Flora Wallace)



Vice Chair:
(Michael Hesketh)



Secretary:
(Margaret Torrance)



Paragon Housing Association Limited

**Statement of Changes in Reserves
For the year ended 31 March 2020**

	Income and expenditure reserve £
Balance at 31 March 2018	13,715,720
Surplus for the year	701,647
<i>Other comprehensive income:</i>	
Initial recognition of multi-employer defined benefit scheme	94,000
Actuarial losses in respect of pension scheme	(342,000)
Balance as at 31 March 2019	<u>14,169,367</u>
Surplus for the year	1,109,901
<i>Other comprehensive income:</i>	
Actuarial gains in respect of pension scheme	515,000
Balance at 31 March 2020	<u><u>15,794,268</u></u>

Paragon Housing Association Limited

Statement of Cashflows

For the year ended 31 March 2020

	<i>Notes</i>	2020 £	2019 £
Net cash generated from operating activities	20	1,575,937	2,112,167
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets – housing properties		(1,391,067)	(2,768,565)
Purchase of intangible assets and other tangible fixed assets		(74,829)	(34,869)
Proceeds from sale of tangible fixed assets		-	-
Grants received		125,000	164,190
Interest received		29,219	37,183
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,311,677)</u>	<u>(2,602,061)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(654,295)	(648,616)
New secured loans		995,981	-
Repayments of borrowings		(324,398)	(337,021)
Issued share capital		4	8
NET CASH USED IN FINANCING ACTIVITIES		<u>17,292</u>	<u>(985,629)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>281,552</u>	<u>(1,475,523)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>7,324,970</u>	<u>8,800,493</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>7,606,522</u></u>	<u><u>7,324,970</u></u>

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, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

GOING CONCERN

The most recent valuation of the Association's secured housing stock for the Royal Bank of Scotland Loan was December 2018 and was on an existing use basis and was £12.5 million. In July 2020, the Association received the most recent valuation on the secured housing stock for GB Social Housing. This was £7.4million on an existing use basis.

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. The Association has looked at the impact of COVID-19 as part of the Business Planning process and has separately identified an increase of 3% for voids and bad debts and an additional £100k costs for 2020/21 and 2021/22 relating to the impact of COVID-19. The Association has significant available cash with only small amounts on deposit. The amount of available cash has remained stable post year end with no significant changes in cash balances.

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.

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. 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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

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. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. 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 25 for more details.

PROVISIONS

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

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.

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.

Borrowings with no rate of interest are regarded as concessionary loans and are measured at the amount payable or receivable.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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 25). The net defined benefit pension liability at 31 March 2020 was £137,000.

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.

Disposal of housing properties and components

Any gain or loss on sale or disposal of housing properties and related components is deemed to be part of operating activities.

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

2.	PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT	Notes	Turnover £	Operating costs £	Gain or loss on disposals of fixed assets £	2020 Operating surplus/(deficit) £	2019 Operating surplus/(deficit) £
	Affordable letting activities	3	6,156,132	(4,393,039)	-	1,763,093	1,318,731
	Other activities	4	47,766	(47,766)	-	-	-
	Loss on disposal of housing properties	9	-	-	(27,532)	(27,532)	(5,651)
	Total		6,203,898	(4,440,805)	(27,532)	1,735,561	1,313,080
	Total for previous reporting period		5,985,860	(4,667,129)	(5,651)	1,313,080	

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES	General		Supported		Total
	Needs Social Housing £	Accommodation £	Social Housing £	2020 £	2019 £
Rent receivable net of service charges	5,968,847		79,409	6,048,256	5,801,487
Service charges	3,489		-	3,489	2,859
Gross income from rents and service charges	5,972,336		79,409	6,051,745	5,804,346
Less voids	(41,933)		(525)	(42,458)	(50,987)
Net income from rents and service charges	5,930,403		78,884	6,009,287	5,753,359
Grants released from deferred income	82,148		-	82,148	75,778
Revenue grants from Scottish Ministers	64,697		-	64,697	65,414
Other revenue grants	-		-	-	-
Total turnover from affordable letting activities	6,077,248		78,884	6,156,132	5,894,551
Management and maintenance administration costs	1,676,814		22,308	1,699,122	1,755,763
Service costs	-		-	-	-
Planned and cyclical maintenance including major repairs costs	838,478		2,638	841,116	1,046,056
Reactive maintenance costs	1,029,226		22,797	1,052,023	915,465
Bad debts - rents and service charges	(12,705)		-	(12,705)	95,578
Depreciation of affordable let properties	800,433		13,050	813,483	762,958
Operating Costs for affordable letting activities	4,332,246		60,793	4,393,039	4,575,820
Operating surplus for affordable letting activities	1,745,002		18,091	1,763,093	1,318,731
Operating surplus for affordable letting activities for previous reporting period	1,297,657		21,074	1,318,731	

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

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	-	-	-	22,097	22,097	-	(22,097)	-	-
Other sundry activities	-	-	-	-	-	-	-	-	-
Other activities – insurance and tenant recharges	-	-	-	25,669	25,669	-	(25,669)	-	-
Total from other activities	-	-	-	47,766	47,766	-	(47,766)	-	-
Total from other activities for the previous reporting period	-	5,080	-	86,229	91,309	-	(91,309)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

5.	ACCOMMODATION IN MANAGEMENT	2020 Units	2019 Units
	General needs housing	1,407	1,401
	Supported housing	21	21
	TOTAL UNITS IN MANAGEMENT	1,428	1,422
6.	INTEREST RECEIVABLE AND SIMILAR INCOME	2020 £	2019 £
	Interest on bank deposits	29,219	37,183
		29,219	37,183
7.	INTEREST PAYABLE AND SIMILAR CHARGES	2020 £	2019 £
	Interest arising on:		
	Bank loans and overdrafts	654,295	725,365
	Adjustment to effective interest rate	(14,416)	(86,749)
	Defined benefit pension charge	15,000	10,000
		654,879	648,616
8.	OPERATING SURPLUS	2020 £	2019 £
	Operating surplus is stated after charging:		
	Depreciation of housing properties (note 11)	813,482	762,958
	Depreciation of other tangible fixed assets (note 12)	28,186	23,374
	Amortisation of intangible assets (note 13)	7,108	65,387
	Deficit on disposal of tangible fixed assets (note 9)	(27,532)	(5,651)
	Operating lease rentals	31,460	21,813
	Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
		2020 £	2019 £
	Audit services - Statutory audit of the Association	16,464	15,840
	Non audit services – Finance support	22,560	5,460
	Non audit services – Taxation advisory support	499	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

9. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES AND LAND		
	2020	2019
	£	£
Net disposal proceeds	-	-
Carrying value of fixed assets	(27,532)	(5,651)
Deficit	<u>(27,532)</u>	<u>(5,651)</u>

10. EMPLOYEES

	2020	2019
	No.	No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Administration	6	7
Housing management	14	13
Property and regeneration	3	3
	<u>23</u>	<u>23</u>
	2020	2019
	£	£
Staff costs for the above persons:		
Wages and salaries	851,018	823,167
Social security costs	86,615	84,010
Other pension costs and current service cost (note 24)	221,353	212,521
Agency costs	125,586	208,978
	<u>1,284,572</u>	<u>1,328,676</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	1	-
£70,000 - £80,000	1	1
	2020	2019
	£	£
Aggregate emoluments of key management personnel (including pension contributions)	<u>275,502</u>	<u>239,765</u>
The emoluments of the director (excluding pension contributions)	<u>74,188</u>	<u>72,520</u>
Aggregate pension contributions in relation to the Director	<u>9,348</u>	<u>9,138</u>
Total emoluments payable to the Director	<u>83,536</u>	<u>81,658</u>

No payment or fees or other remuneration was made to the Committee of Management members during the year (2019: £nil).

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting	
Cost		
1 April 2019	36,116,937	
Additions	360,139	
Works to existing properties	1,030,928	
Disposals	(106,881)	
31 March 2020	<u>37,401,123</u>	
Depreciation and impairment		
1 April 2019	(7,620,531)	
Depreciation charged in year	(813,482)	
Released on disposal	79,349	
31 March 2020	<u>8,354,664</u>	
Net book value		
31 March 2020	<u>29,046,459</u>	
31 March 2019	<u>28,496,406</u>	
EXPENDITURE ON WORKS TO EXISTING PROPERTIES		
	2020	2019
	£	£
Improvement work capitalised:		
Replacement component spend capitalised	1,030,928	1,149,060
Amounts charged to income and expenditure	720,444	215,933
Total major repairs spend	<u>1,751,372</u>	<u>1,364,993</u>
	2020	2019
	£	£
Value of Land included in costs	6,503,220	6,452,800

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

12. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and fittings £	Total £
Cost			
1 April 2019	626,985	109,193	736,178
Additions	59,158	15,671	74,829
Disposals	-	(5,591)	(5,591)
31 March 2020	<u>686,143</u>	<u>119,273</u>	<u>805,416</u>
Depreciation and impairment			
1 April 2019	(193,472)	(93,688)	(287,160)
Depreciation charged in year	(13,723)	(14,463)	(28,186)
Released on disposal	-	5,591	5,591
31 March 2020	<u>(207,195)</u>	<u>(102,560)</u>	<u>(309,755)</u>
Net book value			
31 March 2020	<u>478,948</u>	<u>16,713</u>	<u>495,661</u>
31 March 2019	<u>433,513</u>	<u>15,505</u>	<u>449,018</u>

13. INTANGIBLE ASSETS

	Software £
Cost	
1 April 2019	239,367
Additions	-
Disposals	(4,320)
31 March 2020	<u>235,047</u>
Amortisation	
1 April 2019	(221,054)
Charge for the year	(7,108)
31 March 2020	<u>(228,162)</u>
Net book value	
31 March 2020	<u>6,885</u>
31 March 2019	<u>18,313</u>

14. DEBTORS

	2020	2019
	£	£
Amounts falling due within one year:		
Rent and service charges receivable	399,332	329,037
Less: provision for bad and doubtful debts	(135,107)	(196,990)
	<u>264,225</u>	<u>132,047</u>
Other debtors	59,877	58,234
Prepayments and accrued income	234,218	241,045
	<u>558,320</u>	<u>431,326</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Debt (note 18)	508,444	308,728
Rent and service charges received in advance	327,801	289,636
Deferred capital grants (note 17)	82,148	78,554
Trade creditors	555,241	1,101,966
Other taxation and social security costs	22,288	21,413
Other creditors	282,032	335,757
Holiday pay accrual	24,871	23,408
Accruals and deferred income	122,571	342,712
	<u>1,925,396</u>	<u>2,502,174</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Debt (note 18)	15,787,308	15,329,857
Deferred capital grant (note 17)	4,069,713	4,005,455
	<u>19,857,021</u>	<u>19,335,312</u>

17. DEFERRED CAPITAL GRANT

	2020	2019
	£	£
As at 1 April 2019	4,084,009	3,995,597
Grant received in the year	150,000	164,190
Capital grant released	(82,148)	(75,778)
As at 31 March 2020	<u>4,151,861</u>	<u>4,084,009</u>
Amounts to be released within one year	82,148	78,554
Amounts to be released in more than one year	4,069,713	4,005,455
	<u>4,151,861</u>	<u>4,084,009</u>

18. DEBT ANALYSIS – BORROWINGS

	2020 £	2019 £
Creditors: amounts falling due within one year:		
Bank loans	508,444	308,728
	<u>508,444</u>	<u>308,728</u>
Creditors: amounts falling due after more than one year:		
Bank loans	15,787,308	15,329,857
Total	<u>16,295,752</u>	<u>15,638,585</u>

Bank borrowings of £14,703,949 (2019: £14,958,366) are secured against the Association's housing properties. The fixed rate for the bond is 5.193% and the RBS loan rate is LIBOR + 1.55% margin. The entity has entered into two concessionary loan arrangements (2019: one) 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 £1,591,803 (2019: £680,221) with £283,592 payable in less than one year (2019: £84,396) and £1,308,211 payable in more than one year (2019: £595,825).

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

	2020 £	2019 £
Due within one year	508,444	308,728
Due in one year or more but less than two years	508,974	339,335
Due between two and five years	1,530,203	930,964
Due more than five years	13,748,131	14,059,558
	<u>16,295,752</u>	<u>15,638,585</u>

19. SHARE CAPITAL

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

	2020 £	2019 £
Number of members		
1 April 2019	180	192
Joined during the year	4	8
Left during year	(22)	(20)
31 March 2020	<u>162</u>	<u>180</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

20. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM / (USED IN) OPERATIONS

	2020 £	2019 £
Surplus for the year	1,624,901	453,647
Adjustments for non-cash items:		
Depreciation of fixed assets / amortisation of intangible assets	848,776	851,719
Amortisation of deferred capital grant	(82,148)	(75,778)
Increase/(Decrease) in pension liability	(591,000)	171,000
Loss/(Gain) on disposal of tangible fixed assets	27,532	5,651
Loss on disposal of intangible and other fixed assets	4,320	-
Interest receivable	(29,219)	(37,183)
Interest payable	654,879	648,616
Cancelled shares	(22)	(20)
Operating cash flows before movements in working capital	2,458,019	2,017,652
Decrease/(increase) in stock	-	-
Decrease/(increase) in trade and other debtors	(101,994)	99,605
(Decrease)/increase in trade and other creditors	(780,088)	(5,090)
Cash generated from operations	1,575,937	2,112,167

CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash and cash equivalents represent:-		
Cash at bank and in hand	7,606,522	7,324,970

Net debt reconciliation

	At 1 April 2019 £	Cash flow £	Non-cash movements £	At 31 March 2020 £
Cash at bank and in hand	7,324,970	281,552	-	7,606,522
Debt: due within one year	(308,728)	324,398	(524,114)	(508,444)
Debt: due after one year	(15,329,857)	(995,981)	538,530	(15,787,308)
	(8,313,615)	(390,031)	14,416	(8,689,230)

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2020 £	2019 £
Expenditure authorised by the board which is contracted for	536,990	746,398

The capital commitments will be financed through existing cash reserves.

22. COMMITMENTS UNDER OPERATING LEASES

	2020 £	2019 £
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Amounts due:		
Within one year	19,374	17,339
Between one and five years	12,896	-
	<u>32,270</u>	<u>17,339</u>

23. PENSION PROVISION

	2020 £	2019 £
At 1 April 2019	-	542,000
Derecognition of liability	-	(542,000)
Interest expense	-	-
Deficit contribution paid	-	-
Remeasurement of assumptions	-	-
At 31 March 2020	<u>-</u>	<u>-</u>

24. 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 2018. This actuarial valuation showed assets of £877m, liabilities of £998m and a deficit of £121m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme. Unless a concession has been agreed with the Trustee, this arrangement applies to 30 September 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

24. RETIREMENT BENEFITS (continued)

For the year ended 31 March 2020, 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 2018 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary.

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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets	5,070	4,839
Present value of defined benefit obligation	5,207	5,552
Surplus/(deficit) in plan	(137)	(713)
Unrecognised surplus	-	-
Defined benefit asset/(liability) to be recognised	(137)	(713)
Deferred tax	-	-
Net defined benefit asset/(liability) to be recognised	(137)	(713)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2020 £'000	31 March 2019 £'000
Defined benefit obligation at 1 April	5,552	4,890
Current service cost	123	108
Expenses	4	4
Interest expense	128	125
Contributions by plan participants	59	55
Actuarial losses/(gains) due to scheme experience	43	146
Actuarial losses/(gains) due to changes in demographic assumptions	(34)	15
Actuarial losses/(gains) due to changes in financial assumptions	(567)	309
Benefits paid and expenses	(101)	(100)
Defined benefit obligation at 31 March	5,207	5,552

24. RETIREMENT BENEFITS (continued)

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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets at 1 April	4,839	4,442
Interest income	113	115
Experience on plan assets (excluding amounts included in interest income) - gain	(43)	128
Contributions by the employer	203	199
Contributions by plan participants	59	55
Benefits paid and expenses	(101)	(100)
Fair value of plan assets at 31 March	5,070	4,839

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

	Period from 1 April 2019 to 31 March 2020 £'000	Period from 1 April 2018 to 31 March 2019 £'000
Current service cost	123	108
Expenses	4	4
Net interest expense	15	10
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	142	122

Defined Benefit Costs Recognised in Other Comprehensive Income

	Period ended 31 March 2020 £000	Period ended 31 March 2019 £000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(43)	128
Experience gains and losses arising on the plan liabilities – gain/(loss)	(43)	(146)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	34	(15)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	567	(309)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	515	(342)
Total amount recognised in other comprehensive income – gain/(loss)	515	(342)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

24. RETIREMENT BENEFITS (continued)

Assets	31 March 2020 £'000	31 March 2019 £'000
Global Equity	698	779
Absolute Return	311	410
Distressed Opportunities	93	83
Credit Relative Value	122	84
Alternative Risk Premia	406	270
Fund of Hedge Funds	-	13
Emerging Markets Debt	180	155
Risk Sharing	161	140
Insurance-Linked Securities	136	126
Property	94	96
Infrastructure	299	203
Private Debt	100	62
Opportunistic Illiquid Credit	123	-
Corporate Bond Fund	371	339
Liquid Credit	133	-
Long Lease Property	124	59
Secured Income	281	169
Over 15 Year Gilts	64	124
Liability Driven Investment	1,336	1,722
Net Current Assets	38	5
Total assets	5,070	4,839

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 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.39	2.29
Inflation (RPI)	2.65	3.30
Inflation (CPI)	1.65	2.30
Salary Growth	2.65	3.30
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

Life expectancy at age 65 (Years)	2020		2019
Male retiring in 2020	21.5	Male retiring in 2019	21.7
Female retiring in 2020	23.2	Female retiring in 2019	23.4
Male retiring in 2040	22.8	Male retiring in 2039	23.1
Female retiring in 2040	24.5	Female retiring in 2039	24.7

25. RELATED PARTY TRANSACTIONS

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

Elizabeth McNie
Flora Wallace
Louisa Hesketh
Michael Hesketh
Malcolm Richards

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £17,001 (2019: £16,630) of rent was receivable from these tenant members and their close family members. At the year-end there were £400 (2019: £1,703) 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 £6,911 (2019: £9,085) on training and services from EVH.

Michael Hesketh is a SHARE Executive Committee Member. During the year the Association spent £11,545 (2019: £6,260) on training from SHARE.

26. 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 2019.

As of this date the estimated employer debt for Paragon Housing Association was £3,723,958.