

PARAGON HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

Paragon Housing Association Limited

Management Committee, Executives and Advisers

For the year ended 31 March 2024

Management Committee

Audrey Anderson	Chair
Flora Wallace	Vice Chair
June Anderson	
Malcolm Richards	Treasurer
Susan Robertson	Resigned 14/06/2023
Elisabeth Campbell	
Rosie Murray	Resigned 10/02/2024
Fiona Speirs	Resigned 18/10/2023
Elizabeth McNie	
Kathleen Menzies	
Claire Munro	
Barry Lees	
Susan Gilbert	
Michael Hesketh	

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 8EH

The Management Committee presents their report and audited financial statements for the year ended 31 March 2024.

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

There are ongoing global and national economic challenges and uncertainties which have an impact on service users directly and on the housing sector's ability to deliver services and investment. There are some signs of recovery as inflation has started to fall and interest rates are predicted to fall. However uncertainty remains. Various measures have been taken to mitigate these factors.

Jobbing Repair Works (JRW) & Gas Maintenance Contracts

To ensure both contracts were in place for the up-and-coming financial year commencing April 2024, a procurement exercise started in 2023/24 for both the JRW and Gas Servicing/Maintenance contracts through framework providers of which the Association are members.

The JRW contract was procured through the Scottish Procurement Alliance Framework (SPA) with Everwarm appointed on a 3 year period with an option of a further 2 year contract period. The contract commenced 1st April 2024 with the option to run until March 2029.

The Gas Servicing & Reactive Works contract was procured through the Scotland Excel Framework (ScotExcel) on a similar basis, commencing 1st April 2024 with the option to run to March 2029.

Housing Management Services

Although still lower than pre-covid levels, turnover increased slightly to 77 units compared to 76 in the previous year. The percentage of offers refused continued to fall, reducing to 3.38%. The percentage of Section 5 local authority homeless referrals converted to a tenancy returned to 100% with the percentage of allocations to homeless households being 56.56%.

Void property relet times remain higher than the 28 day target but saw a reduction to 45.51 days (excluding off charge properties). This compares 73.42 days in 2022/23. Gross Rent Arrears dropped slightly to 5.79% (During 2022/23 gross rent arrears rose to 6.27%). The Association recognises the impact of the cost-of-living crisis and remains committed to supporting tenancy sustainment. The Warm Welcome initiative continued into 2023/24 and was further enhanced with funding to enable our principal contractor (Everwarm) to employ a trainee energy advisor based with the Association to work exclusively with Association tenants. During the period the trainee achieved a City and Guilds qualification in energy advice.

The Association also employs an in-house Tenancy Sustainment Officer offering benefits advice to tenants. The work done by the team is reflected in the high tenancy sustainment levels reported in the Annual Return on the Charter which were sitting at 91.03% as at 31st March 2024.

Tenant/Owner Engagement

There is a well-established Tenant Scrutiny Panel in place. They continue to be involved in the rent harmonisation exercise which is currently underway. The panel's report on the review of the Association's approach to complaints was 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 2023/24 the surveys showed an improvement in all 7 of the tenant satisfaction indicators reported in the Annual Return. Overall satisfaction increased to 88.3% from 83.1% from the previous year and satisfaction with being kept informed increased to 93.8% from 88.9%.

HOUSING STOCK BREAKDOWN BY AREA AS AT 31ST MARCH 2024

The number of housing units increased from 1445 to 1450 at the end of March 2024.

LA Area	31/03/24	31/03/23
Falkirk	875	870
Clackmannanshire	416	416
Stirling	159	159
TOTALS	1450	1445

Performance

Performance Area	2023/24	2022/23
Rent collected as a percentage of total rent due in the reporting year	98.04%	97.03%
Gross tenant non-technical arrears as % of gross rental income	5.79%	6.27%
Average length of time to complete non-emergency repairs – measured in days	10.22	9.72
Number of times statutory duty to complete a gas safety check not met	0	1
Percentage of rent lost through properties being empty during the last year	1.08%	1.54%
Number of void properties over 6 months at year end	0	6

Complaints Performance

Completed 2023/24	Upheld – fully or partially
Frontline Complaints	Number
125	65
Investigative Complaints	Number
39	29

Development and Performance

Financial Performance

The Association achieved an operating surplus for the year of £854k (2023 - £1,752k). The total comprehensive income for the year was a deficit of £349k (2023 - £707k Surplus). This includes an actuarial loss in respect of the pension scheme of £383k (2023 - £270k) which has resulted in an increase of the pension liability of £357k. 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 £6.2m (2023 - £4.9m). Included in these operating costs is expenditure on reactive, cyclical and planned maintenance. The Association spent £3.0m (2023-£2.1m) on these activities.

Rent arrears have decreased by £77k this year to £324k (2023 - £401k). The Tenancy Management Team have continued to work with tenants to mitigate the impact of the cost of living crisis.

Void days decreased in the year. The average relet time decreased and actual void days decreasing from 5580 days to 4095 days. This year void loss is £75k (2023 - £102k).

Throughout November 2023 to January 2024, the issue of the rent increase to be applied for 2024/25 was considered and consulted on against a background of continuing high 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. The effect of the existing Royal Bank of Scotland covenants on the proposed programme of improvement and regeneration work was considered. It was agreed that 6.3% would be applied.

Business plan

There is a 30 Year Business Plan in place which is subject to regular review to take account of changing economic conditions and new opportunities such as new housing developments.

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 2023/24 the purchase of 5 units was concluded. HAG funding has been secured for a further 5 units in 2024/25. To end March 2024, 37 properties have been acquired through the BBOOM Policy.

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 & 2 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 investment works due to the Covid 19 pandemic against budget was assessed at:

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

In 2023/24 the investment programme was still 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. However circa £50k of works related to the previous years incomplete investment was caught up during 2023/24. The Association is currently reviewing the investment programme and continues to procure works through 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 2024, 90.55 % (1313/1450) of the Association's properties are meeting the Scottish Housing Quality Standard (SHQS) and 98.06% (1422/1450) 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 2024/25 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 was anticipated to be completed mid-2023 and at this time is still being worked on. The outcome of the review is now planned for 2024/25 and the new name for this is the Social Housing Net Zero Standard (SHNZS).

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 112 tenants over 30 flatted blocks. The Association continues to letter all owners annually for any changes in circumstances to enable the works to proceed. Through the natural life expectancy of the existing communal doors, new DES are planned for renewal at which time they can be enhanced to DES.

Electrical Inspection Condition Report (EICR)

The Association had a total of 1435 EICRs from the required 1450 completed and in place as at 31st March 2024. Of the 1431 completed, 189 were completed out with the 5 year anniversary. These do not count as failures for SHQS purposes. 111 were due to contractor failure and 78 related to no access by tenants, condition of property and through tenants being hospitalised. The first 2 years 2022/23 and 2023/24 were heavy years with circa 1200 properties requiring EICRs completed due to the legal change from a 10 year cycle to a 5 year cycle. Going forward, from year 3 (2024/25) of the 5 year contract and working with our M&E Consultant, the numbers planned have been levelled out to a more manageable level of circa 300 properties annually.

Stock Condition Survey

A full independent stock condition survey was commissioned in 2023/24. The report was received July 2024. As with the previous stock condition survey in 2021/22, there are no immediate or significant actions required as a result of the findings. The independent projections on life cycle and costs of components rates have been updated to reflect the current market and will be analysed over the coming months in line with Association's existing projections. The data from the most recent survey will be used to update the new Asset Management system (HUB) and will be ready for use from October 2024. The data from the existing Asset Management system will also be integrated to complement the results of the recent Stock Condition Survey.

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."

There continued to be a focus on wellbeing in the workplace the Association took part in Public Health's Scotland's development of the Mentally Flourishing Workplace Framework which is a national framework for employers in Scotland.

Future Prospects

The Association continues to operate from a stable financial and organisational base. Development activities and buy backs continue to support planned growth. It is anticipated that 35 new build units will be delivered over the next 2 years and potentially a further 10 BBOOM acquisitions should HAG funding be available.

A covenant relaxation has been agreed with the Royal Bank of Scotland that will allow an injection of expenditure around component replacement during 2024/25.

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 SHNZS 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 SHNZS target in due course.

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 the 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 ongoing pressures across the economy due to costs of living increases, resources, energy supply issues and supply chain impacts. Account is taken of increasing cyber risks and Cyber Essentials Plus accreditation was retained. Measures are being taken to ensure monitoring around damp, mould and condensation issues which are recognised as a sector wide emerging issue.

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
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 and successfully accessing funding to support tenants. - 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 and moving towards Social Housing Net Zero Standard – SHNZ. Catch up required post covid restrictions and there are still uncertainties around final requirements regarding SHNZ.	<ul style="list-style-type: none"> - Business plan which sets out resources and targets to deliver both SHQS and EESSH 1 and move towards SHNZ - Ongoing programme of investment in improvements such to achieve the standards. - Updating of stock condition survey. - Use of PEAT. - Ongoing monitoring and reporting of progress against plan. - Positive outcome of covenant renegotiation with lender - Use of frameworks for procurement. - Business Plan sensitivity analysis.
Refinancing Risk at term RBS loan December 2025	<ul style="list-style-type: none"> - Positive discussions with lenders - Treasury Management Review 2024 - positive outlook on ability to refinance - Use of specialist advice
Increased development activities including acting as principal developer	<ul style="list-style-type: none"> - Using specialist support via CURB - Strong financial position to manage cashflow
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 is in progress and planned conclusion is 2024/25 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 and other specialist reviews
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 retained - 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.
Health & Safety including ensuring organisational resilience and physical and stock safety	<ul style="list-style-type: none"> - H&S support via membership EVH - Use of IA and specialist reviews - Developing DMPC monitoring framework - Wellbeing project for staff

Paragon Housing Association Limited

Report of the Management Committee (continued)

For the year ended 31 March 2024

Internal audit (IA) services were put out to competitive tender and Henderson Loggie were reappointed on a cost quality basis.

The IA programme for 2023/24 covered the following areas:

- ARC Indicator – Right First Time – this is part of a rolling programme to look at various ARC indicators
- Gas Safety - this is carried out annually
- Follow up review

There were no priority recommendations as part of the internal audits.

In addition to the internal audit programme, additional assurance was provided by the Landlord Safety Manual Audit carried by ACS, a review of Treasury Management by specialist consultants Allia and the Association successfully retained Cyber Essentials Plus accreditation.

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 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 2024-25 with specialist advice and support.

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.

Audrey Anderson took over from Flora Wallace as Chair following the AGM in September 2023. Office bearer support was being ably provided by Flora Wallace and June Anderson BEM as joint Vice Chairs and Malcolm Richards as Treasurer.

We were deeply saddened when Flora Wallace passed away in May 2024 following a short illness. Her contribution to the work of the Association evolving from a brand new steering group in the mid 1990s to becoming a mature established organisation was immense. She was a great contributor to the social housing sector in Scotland and will be very greatly missed.

At the AGM in September 2023 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 Flora Wallace 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.

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2024

Staff have undertaken 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 November 2023. The Association was deemed compliant by SHR in its published engagement plan for the period 2024/25.

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 £11.9m cash at bank at 31 March 2024 (2023-£13.5m) and net current assets of £10.1m (2023-£11.4m). There are no material uncertainties in the Business Plan and all loan covenants are complied with for the duration of the plan. Covenant relaxation has been agreed for 2024/25.

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 2023.

By Order of the Management Committee



17/9/24

**Statement of Management Committee's Responsibilities under the Co-operative and Community Benefit Societies Act 2014
For the year ended 31 March 2024**

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 Management Committee 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 Management Committee 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Paragon Housing Association website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Paragon Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2024

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 2024. 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

16/9/24

Report by the Auditors to the members of Paragon Housing Association Limited on Corporate Governance matters

For the year ended 31 March 2024

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 18 SEPTEMBER 2024

**Independent Auditor's Report to the Members of Paragon Housing Association Limited on
Internal Controls
For the year ended 31 March 2024**

Opinion

We have audited the financial statements of Paragon Housing Association (the 'Association') for the year ended 31 March 2024 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 2024 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:

- 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;

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2024**

- 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 Housing (Scotland) Act 2010, the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019 and the RSL SORP 2018. 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 the Scottish Housing Regulator's Regulatory Framework (as published February 2019), the Energy Efficiency Standard for Social Housing (EESH), and the Data Protection Act 2018. 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 income recognition as the area 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 and income entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided 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, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 18 September 2024

Paragon Housing Association Limited

**Statement of Comprehensive Income
For the year ended 31 March 2024**

	<i>Notes</i>	2024 £	2023 £
TURNOVER	2	7,044,692	6,635,967
Operating expenditure	2	(6,190,840)	(4,884,285)
OPERATING SURPLUS		853,852	1,751,682
Loss on disposal of housing properties	8	(26,701)	(46,566)
Interest receivable	6	246,293	68,496
Interest and financing costs	7	(1,039,099)	(796,723)
SURPLUS BEFORE TAX		34,345	976,889
Taxation		-	-
SURPLUS FOR THE YEAR		34,345	976,889
Actuarial gain/(loss) in respect of pensions scheme	23	(383,000)	(270,000)
TOTAL COMPREHENSIVE (EXPENDITURE)/ INCOME FOR THE YEAR		(348,655)	706,889

Paragon Housing Association Limited


**Statement of Financial Position
For the year ended 31 March 2024**

	<i>Notes</i>	2024 £	2023 £
NON-CURRENT ASSETS			
Intangible assets	12	5,435	4,515
Housing properties	10	30,194,491	29,537,106
Other fixed assets	11	469,903	461,705
Long Term Deposits	14	264,869	262,763
		<u>30,934,698</u>	<u>30,266,089</u>
CURRENT ASSETS			
Trade and other debtors	13	1,026,188	689,772
Cash and cash equivalents		6,589,757	13,275,961
Current Asset Investments	14	5,000,000	-
		<u>12,615,945</u>	<u>13,965,733</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(2,698,016)	(2,838,373)
NET CURRENT ASSETS			
		<u>9,917,929</u>	<u>11,127,360</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>40,852,627</u>	<u>41,393,449</u>
Creditors: Amounts falling due after more than one year	16	(21,874,769)	(22,423,931)
Defined benefit pension obligation	23	(572,000)	(215,000)
TOTAL NET ASSETS			
		<u>18,405,858</u>	<u>18,754,518</u>
RESERVES			
Share Capital	19	123	128
Income and expenditure reserve		18,405,735	18,754,390
TOTAL RESERVES			
		<u>18,405,858</u>	<u>18,754,518</u>

The financial statements were approved by the Management Committee and authorised for issue on 28/8/24 and are signed on its behalf by:

Chair: 
(Audrey Anderson)

Treasurer: 
(Malcolm Richards)

Secretary: 
(Margaret Torrance)

**Statement of Changes in Reserves
For the year ended 31 March 2024**

	Income and expenditure reserve £
Balance at 31 March 2022	18,047,501
Surplus for the year	976,889
<i>Other comprehensive income:</i>	
Actuarial losses in respect of pension scheme	(270,000)
Balance as at 31 March 2023	18,754,390
Surplus for the year	34,345
<i>Other comprehensive income:</i>	
Actuarial losses in respect of pension scheme	(383,000)
Balance at 31 March 2024	18,405,735

Paragon Housing Association Limited**Statement of Cashflows
For the year ended 31 March 2024**

	<i>Notes</i>	2024 £	2023 £
Net cash generated from operating activities	20	1,249,723	2,827,966
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets – housing properties		(1,642,322)	(1,563,410)
Purchase of intangible assets and other tangible fixed assets		(41,444)	(15,355)
Grants received		225,000	400,000
Interest received		246,293	68,496
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,212,473)</u>	<u>(1,110,269)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(1,039,099)	(816,938)
Repayments of borrowings		(682,253)	(523,596)
Issued share capital		4	12
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,721,348)</u>	<u>(1,340,522)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,684,098)	377,175
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>13,538,724</u>	<u>13,161,549</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>11,854,626</u>	<u>13,538,724</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.

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 the assumption of 5% for voids and bad debts in 2023/24 which is unchanged from the assumption in 2022/23. The Association has £11.9m cash at bank at 31 March 2024 (2023 - £13.5m) and net current assets of £10.2m (2023 - £11.4m). 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

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 2024 was £572,000.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

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

	Notes	Turnover £	Operating costs £	Gain or loss on disposals of fixed assets £	2024 Operating surplus/(deficit) £	2023 Operating surplus/(deficit) £
Affordable letting activities	3	6,824,128	(5,970,276)	-	853,852	1,751,682
Other activities	4	220,564	(220,564)	-	-	-
Loss on disposal of housing properties	8	-	-	(26,701)	(26,701)	(46,566)
Total		7,044,692	(6,190,840)	(26,701)	827,151	1,705,116
Total for previous reporting period		6,635,967	(4,884,285)	(46,566)	1,705,116	

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

3	PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTINGS ACTIVITIES	Supported		Total 2024 £	Total 2023 £
		General Needs Social Housing £	Social Housing Accommodation £		
	Rent receivable net of service charges	6,652,649	87,614	6,740,263	6,442,665
	Service charges	4,292	1,773	6,065	10,587
	Gross income from rents and service charges	6,656,941	89,387	6,746,328	6,453,252
	Less voids	(73,729)	(1,133)	(74,862)	(101,741)
	Net income from rents and service charges	6,583,212	88,254	6,671,466	6,351,511
	Grants released from deferred income	95,662	-	95,662	89,975
	Revenue grants from Scottish Ministers	57,000	-	57,000	65,953
	Other revenue grants	-	-	-	-
	Total turnover from affordable letting activities	6,735,874	88,254	6,824,128	6,507,439
	Management and maintenance administration costs	(1,914,461)	-	(1,914,461)	(1,846,819)
	Planned and cyclical maintenance including major repairs costs	(1,534,508)	(6,771)	(1,541,279)	(776,658)
	Reactive maintenance costs	(1,416,476)	(25,938)	(1,442,414)	(1,287,173)
	Bad debts - rents and service charges	(85,834)	(311)	(86,145)	74,162
	Depreciation of affordable let properties	(959,276)	-	(959,276)	(919,269)
	Operating Costs for affordable letting activities	(5,910,555)	(33,020)	(5,943,575)	(4,755,757)
	Operating surplus for affordable letting activities	825,319	55,234	880,553	1,751,682
	Operating surplus for affordable letting activities for previous reporting period	1,725,645	26,037	1,751,682	

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

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	-	-	-	67,782	67,782	(7,056)	(60,726)	-	-
Other sundry activities	-	-	-	104,239	104,239	-	(114,082)	(9,843)	-
Other activities – insurance and tenant recharges	-	-	-	48,543	48,543	-	(38,700)	9,843	-
Total from other activities	-	-	-	220,564	220,564	(7,056)	(213,508)	-	-
Total from other activities for the previous reporting period	-	-	-	128,528	128,528	-	(128,528)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

5. ACCOMMODATION IN MANAGEMENT	2024	2023
	Units	Units
General needs housing	1,429	1,424
Supported housing	21	21
TOTAL UNITS IN MANAGEMENT	1,450	1,445
6. INTEREST RECEIVABLE AND SIMILAR INCOME	2024	2023
	£	£
Interest on bank deposits	246,293	68,496
	<u>246,293</u>	<u>68,496</u>
7. INTEREST PAYABLE AND SIMILAR CHARGES	2024	2023
	£	£
Interest arising on:		
Bank loans and overdrafts	1,051,394	816,938
Adjustment to effective interest rate	(22,295)	(20,215)
Defined benefit pension charge	10,000	-
	<u>1,039,099</u>	<u>796,723</u>
8. OPERATING SURPLUS	2024	2023
	£	£
Operating surplus is stated after charging:		
Depreciation of housing properties (note 10)	959,276	919,269
Depreciation of other tangible fixed assets (note 11)	31,458	38,515
Amortisation of intangible assets (note 12)	5,679	4,346
Deficit on disposal of tangible fixed assets	26,701	46,566
Operating lease rentals	40,388	50,503
Defined Contribution Pension costs	33,183	31,240

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

	2024	2023
	£	£
Audit services - Statutory audit of the Association	22,080	21,054
Non audit services – Finance support	-	11,316
	<u>22,080</u>	<u>32,370</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

9. EMPLOYEES

The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:

	2024	2023
	No.	No.
Administration	7	9
Housing management	16	16
Property and regeneration	3	4
	<u>26</u>	<u>29</u>

	2024	2023
	£	£
Staff costs for the above persons:		
Wages and salaries	1,070,790	1,061,863
Social security costs	102,376	108,143
Other pension costs and current service cost (note 23)	56,072	85,240
Agency costs	48,806	45,645
	<u>1,278,044</u>	<u>1,300,891</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	3
£70,000 - £80,000	-	1
£80,000 - £90,000	1	-

	2024	2023
	£	£
Aggregate emoluments of key management personnel (excluding pension contributions)	<u>276,747</u>	<u>261,497</u>
The emoluments of the director (excluding pension contributions)	<u>83,245</u>	<u>79,093</u>
Aggregate pension contributions in relation to the director	<u>13,486</u>	<u>12,813</u>
Total emoluments payable to the director	<u>96,731</u>	<u>91,906</u>

No payment or fees or other remuneration was made to the Committee of Management members during the year (2023: £nil).

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting	
Cost		
1 April 2023	40,201,916	
Additions	950,512	
Works to existing properties	691,810	
Disposals	(179,036)	
31 March 2024	<u>41,665,202</u>	
Depreciation and impairment		
1 April 2023	(10,664,810)	
Depreciation charged in year	(959,276)	
Released on disposal	153,375	
31 March 2024	<u>(11,470,711)</u>	
Net book value		
31 March 2024	<u>30,194,491</u>	
31 March 2023	<u>29,537,106</u>	
	2024	2023
	£	£
Value of Land included in costs	<u>6,840,238</u>	<u>6,708,557</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2024	2023
	£	£
Improvement work capitalised:		
Replacement component spend capitalised	691,810	647,503
Amounts charged to income and expenditure	1,074,059	776,523
Total major repairs spend	<u>1,765,869</u>	<u>1,424,026</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

11. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and fittings £	Total £
Cost			
1 April 2023	694,105	192,294	886,399
Additions	7,210	26,712	33,922
31 March 2024	<u>701,315</u>	<u>219,006</u>	<u>920,321</u>
Depreciation and impairment			
1 April 2023	(248,841)	(170,119)	(418,960)
Depreciation charged in year	(14,026)	(17,432)	(31,458)
31 March 2024	<u>(262,867)</u>	<u>(187,551)</u>	<u>(450,418)</u>
Net book value			
31 March 2024	<u>438,448</u>	<u>31,455</u>	<u>469,903</u>
31 March 2023	<u>445,264</u>	<u>22,175</u>	<u>467,439</u>

12. INTANGIBLE ASSETS

	Software £
Cost	
1 April 2023	248,218
Additions	8,152
Disposals	(1,554)
31 March 2024	<u>254,816</u>
Amortisation	
1 April 2023	(243,702)
Charge for the year	(5,679)
31 March 2024	<u>(249,381)</u>
Net book value	
31 March 2024	<u>5,435</u>
31 March 2023	<u>4,515</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

13. DEBTORS

	2024	2023
	£	£
Amounts falling due within one year:		
Rent and service charges receivable	536,005	448,208
Less: provision for bad and doubtful debts	(166,993)	(118,968)
	<u>369,012</u>	<u>329,240</u>
Other debtors	35,677	78,360
Prepayments and accrued income	621,499	282,167
	<u>1,026,188</u>	<u>689,767</u>

14. INVESTMENTS

	2024	2023
	£	£
<u>Current Asset Investments</u>		
Short term deposits	5,000,000	-
	<u>5,000,000</u>	<u>-</u>
<u>Non-Current Asset Investments</u>		
Long term deposits	264,869	262,763
	<u>264,869</u>	<u>262,763</u>

Investments in short term deposits have a maturity of 1 year or less, and at the balance sheet date the average maturity of the deposits was 5 months.

Investments in long term deposits have a maturity of more than 1 year, and at the balance sheet date the average maturity of the deposits was 18 months.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024	2023
	£	£
Debt (note 18)	692,443	691,883
Rent and service charges received in advance	328,307	410,774
Deferred capital grants (note 17)	95,662	89,975
Trade creditors	366,032	336,470
Other taxation and social security costs	28,274	28,694
Other creditors	166,995	311,141
Holiday pay accrual	24,455	26,598
Accruals and deferred income	995,848	942,838
	<u>2,698,016</u>	<u>2,838,373</u>

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

	2024	2023
	£	£
Debt (note 18)	17,295,568	17,978,381
Deferred capital grant (note 17)	4,569,201	4,445,550
	<u>21,864,769</u>	<u>22,423,931</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

17. DEFERRED CAPITAL GRANT

	2024	2023
	£	£
As at 1 April	4,535,525	4,225,500
Grant received in the year	225,000	400,000
Capital grant released	(95,662)	(89,975)
As at 31 March	<u>4,664,863</u>	<u>4,535,525</u>
Amounts to be released within one year	95,662	89,975
Amounts to be released in more than one year	<u>4,569,201</u>	<u>4,445,550</u>
	<u>4,664,863</u>	<u>4,535,525</u>

18. DEBT ANALYSIS – BORROWINGS

	2024	2023
	£	£
Creditors: amounts falling due within one year:		
Bank loans	<u>692,443</u>	<u>691,883</u>
	<u>692,443</u>	<u>691,883</u>
Creditors: amounts falling due after more than one year:		
Bank loans	17,295,568	17,978,381
Total	<u>17,988,011</u>	<u>18,670,264</u>

Bank borrowings of £17,530,586 (2023: £17,929,246) 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 £457,424 (2023: £741,019) with £283,595 payable in less than one year (2023: £283,594) and £173,830 payable in more than one year (2023: £457,424).

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

	2024	2023
	£	£
Due within one year	692,443	691,883
Due in one year or more but less than two years	7,536,863	692,443
Due between two and five years	89,432	7,575,807
Due more than five years	<u>9,669,273</u>	<u>9,710,131</u>
	<u>17,988,011</u>	<u>18,670,264</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

19. SHARE CAPITAL

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

	2024	2023
	£	£
Number of members		
1 April	128	130
Joined during the year	4	12
Left during year	(9)	(14)
31 March	<u>123</u>	<u>128</u>

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

	2024	2023
	£	£
Surplus/Deficit for the year	(348,655)	706,889
Adjustments for non-cash items:		
Depreciation of fixed assets / amortisation of intangible assets	996,413	959,430
Amortisation of deferred capital grant	(95,662)	(89,975)
Movement in Defined Benefit Pension Liability	357,000	165,000
Loss/(Gain) on disposal of tangible fixed assets	25,660	46,566
Loss on disposal of intangible and other fixed assets	1,041	-
Interest receivable	(246,293)	(68,496)
Interest payable	1,039,099	796,723
Cancelled shares	(9)	(14)
Operating cash flows before movements in working capital	<u>1,728,594</u>	<u>2,516,123</u>
Decrease/(increase) in trade and other debtors	(338,523)	(226,997)
(Decrease)/increase in trade and other creditors	(140,348)	538,840
Cash generated from / (used in) operations	<u>1,249,723</u>	<u>2,827,966</u>

CASH AND CASH EQUIVALENTS

	2024	2023
	£	£
Cash at bank and in hand	6,589,757	13,275,961
Cash on Deposit	5,264,869	262,763
	<u>11,854,626</u>	<u>13,538,724</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

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

Net debt reconciliation

	At April 2023 £	Cash flow £	Non-cash movements £	At 31 March 2024 £
Cash at bank and in hand	13,538,724	(1,684,098)	-	11,854,626
Debt: due within one year	(691,883)	682,253	(682,813)	(692,443)
Debt: due after one year	(17,978,381)	-	682,813	(17,295,568)
	<u>(5,131,540)</u>	<u>(1,001,845)</u>	-	<u>(6,133,385)</u>

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2024 £	2023 £
Expenditure authorised by the board which is contracted for	<u>840,000</u>	<u>1,020,174</u>

The capital commitments will be financed through existing cash reserves.

22. COMMITMENTS UNDER OPERATING LEASES

	2024 £	2023 £
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Amounts due:		
Within one year	20,687	33,659
Between one and five years	20,997	5,853
	<u>41,684</u>	<u>39,512</u>

23. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

23. RETIREMENT BENEFITS (continued)

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 2024, 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 2024 by a qualified independent actuary.

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

	31 March 2024	31 March 2023
	£'000	£'000
Fair value of plan assets	4,129	4,121
Present value of defined benefit obligation	4,701	4,336
Surplus/(deficit) in plan	(572)	(215)
Defined benefit asset/(liability) to be recognised	(572)	(215)
Deferred tax	-	-
Net defined benefit asset/(liability) to be recognised	(572)	(215)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2024	31 March 2023
	£'000	£'000
Defined benefit obligation at 1 April 2023	4,336	6,288
Current service cost	23	49
Expenses	6	5
Interest expense	211	172
Contributions by plan participants	59	64
Actuarial losses/(gains) due to scheme experience	230	(242)
Actuarial losses/(gains) due to changes in demographic assumptions	(29)	(102)
Actuarial losses/(gains) due to changes in financial assumptions	20	(1,523)
Benefits paid and expenses	(155)	(375)
Defined benefit obligation at 31 March 2024	4,701	4,336

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2024

23. RETIREMENT BENEFITS (continued)

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

	31 March 2024	31 March 2023
	£'000	£'000
Fair value of plan assets at 1 April 2023	4,121	6,238
Interest income	201	172
Experience on plan assets (excluding amounts included in interest income) - gain	(162)	(2,137)
Contributions by the employer	65	159
Contributions by plan participants	59	64
Benefits paid and expenses	(155)	(375)
	<hr/>	<hr/>
Fair value of plan assets at 31 March 2024	4,129	4,121

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

	Period from 1 April 2023 to 31 March 2024	Period from 1 April 2022 to 31 March 2023
	£'000	£'000
Current service cost	23	49
Expenses	6	5
Net interest expense	10	-
	<hr/>	<hr/>
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	39	54

Defined Benefit Costs Recognised in Other Comprehensive Income

	Period ended 31 March 2024	Period ended 31 March 2023
	£000	£000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(162)	(2,137)
Experience gains and losses arising on the plan liabilities – gain/(loss)	(230)	242
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	29	102
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(20)	1,523
	<hr/>	<hr/>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	(383)	(270)
	<hr/>	<hr/>
Total amount recognised in other comprehensive income – gain/(loss)	(383)	(270)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2024

23. RETIREMENT BENEFITS (continued)

Assets	31 March 2024	31 March 2023
	£'000	£'000
Global Equity	475	109
Absolute Return	186	56
Distressed Opportunities	152	127
Credit Relative Value	145	157
Alternative Risk Premia	149	24
Emerging Markets Debt	72	32
Risk Sharing	248	300
Insurance-Linked Securities	26	115
Property	175	172
Infrastructure	395	444
Private Equity	3	-
Private Debt	166	184
Opportunistic Illiquid Credit	164	182
High Yield	1	21
Cash	107	17
Corporate Bond Fund	-	5
Long Lease Property	31	138
Secured Income	138	276
Liability Driven Investment	1,493	1,745
Currency Hedging	(2)	8
Net Current Assets	5	9
Total assets	4,129	4,121

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 2024	31 March 2023
	% per annum	% per annum
Discount Rate	4.87	4.89
Inflation (RPI)	3.19	3.2
Inflation (CPI)	2.76	2.72
Salary Growth	3.76	3.72
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies:

Life expectancy at age 65 (Years)	2024	Life expectancy at age 65 (Years)	2023
Male retiring in 2024	20.2	Male retiring in 2023	20.5
Female retiring in 2024	22.7	Female retiring in 2023	23.0
Male retiring in 2044	21.4	Male retiring in 2043	21.7
Female retiring in 2044	24.1	Female retiring in 2043	24.4

24. RELATED PARTY TRANSACTIONS

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

Elizabeth McNie
Flora Wallace
Malcolm Richards
Susan Gilbert
Michael Hesketh

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £22,708 (2023: £14,906) of rent was receivable from these tenant members and their close family members. At the year-end there were £2,777 (2023: £489) of rent arrears due from these tenant members and their close family members.

Flora Wallace was an Executive Committee Member and Treasurer of EVH. During the year the Association spent £13,622 (2023: £11,007) on training and services from EVH.

25. 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 2023.

As of this date the estimated employer debt for Paragon Housing Association was £1,567,548.

The Association has been notified by the Trustee of the Scheme that it has performed a review comparing the benefits provided to scheme members over recent years with the requirements of the Scheme documentation. Due to uncertainty as to the effect of some benefit changes, the Trustee has been advised by lawyers to seek clarification from the Court on potential changes to the pension liability. It is recognised that this could potentially impact the value of Scheme liabilities, but until the outcome of the ongoing Court process is known (which is currently expected to be February 2025), it is not possible to calculate the impact on the liabilities of this issue with any accuracy, particularly on an individual employer basis, for the purposes of the 31 March 2024 financial statements. Accordingly, no adjustment has been made in these financial statements in respect of this potential issue.