



Alexander Sloan
Accountants and Business Advisers

Paisley Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. HCB166

FCA Reference No.2171R(S)

Scottish Charity No. SCO35589

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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PAISLEY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2020

Board of Management

Ian Johnstone
James Weir
Eileen Graham
Sandra Loney
Karen McMillan
Mairi MacLean
Saroj Bains
Scott Tsuru
Magda Pawlik (resigned 27/1/20)
Alison McKeown
Michelle Hart
Lisa-Jane Dock

Chair
Vice Chair
Secretary

Executive Officers

Kathleen McCutcheon
Eileen Thomson
Lorna Colville
Lorna Gilroy

Chief Executive Officer
Head of Technical
Head of Finance and IT
Head of Housing

Registered Office

64 Espedair Street
Paisley
PA2 6RW

External Auditors

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

Internal Auditors

Quinn International Audit & Business Support
55 Lady Place
Livingston
EH54 6TB

Bankers

Bank of Scotland Commercial Banking
Level 6
110 St Vincent Street
Glasgow
G2 1BA

Solicitors

TC Young
7 West George Street
Glasgow
G2 1BA

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

The Board of Management presents its report and the financial statements for the year ended 31 March 2020.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No 2171R(S)), the Scottish Housing Regulator as a registered social landlord (No. HCB166) under the Housing (Scotland) Act 2010 and as is a registered Scottish Charity with the charity number SCO35589.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

Our Vision is:

- to remain focused on providing quality, affordable homes and excellent customer services within our area of operation

Our Strategic Objectives are:

1. **PLACE** – Providing quality, safe, affordable, attractive, warm homes.
2. **CUSTOMER SERVICE** – Provide excellent customer service which represents best value for money and embraces current technology and communications.
3. **GOVERNANCE** – Ensure a robust governance structure through the strengths of the governing body.
4. **ASSET MANAGEMENT** – Ensure the Association invests wisely making best use of assets.
5. **VIABILITY & VALUE FOR MONEY** – Ensure financial viability and value for money in all operations and services.
6. **HUMAN RESOURCES** – Recruit, develop and retain professional staff.
7. **REGENERATION** – Focus any wider role projects on enhancing core services, improving quality of life for our residents and improving life chances.
8. **PARTERSHIPS** – Explore partnerships which assist the Association to meet our vision and strategic objectives.
9. **PARTICIPATION** – Give customers opportunities to participate in a variety of ways that meets their priorities.

The Association has a wholly owned subsidiary, Paisley South Property Services ("PSPS"), the objective of which is to provide a factoring service to properties in blocks where the Association has a common interest.

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

Our homes are a mix of traditional tenement buildings, properties purchased via Scottish Homes Stock Transfer Scheme and properties built by the Association, and the table below shows the number of homes that we manage:

Stock Type	No
General Needs Affordable Housing	1204
Shared Ownership	2
Total	1206

Financial Review

The Association made a surplus in the year of £1,648,675 (2019 - £1,303,346).

The Association is a member of the Scottish Housing Associations' Pension Scheme. We provide both a Defined Contribution and Defined Benefit pension option for our staff.

During 18/19 the way that we account for the Defined Benefit pension costs and liabilities was changed. Due to recent developments the share of assets and liabilities per employer is now available such that the pension scheme can now be accounted for on a defined benefit basis

This new defined benefit liability resulted in a re-measurement through other comprehensive income for the opening pension liability of £ (458,426) and an actuarial gain totalling £4,000 for the year 2018/2019.

The SHAPS defined benefit liability as at 31 March 2020 is £40,000 (2019 £1,210,000). This has therefore resulted in a reduction the liability at 31 March 2020 and an actuarial gain totalling £1,163,000 for the year have been recorded in other comprehensive income.

Further details in relation to pensions are included in the accounting policy note 19 to the financial statements.

We have reviewed our lenders' covenant requirements in light of these accounting changes; we meet our lenders' requirements at the yearend and are projected to continue to do so for the foreseeable future.

The cash surplus that we generate continues to be invested in homes for our tenants through our continuing investment in the quality of our existing homes and our modest development programme

Paisley Housing remains in a strong financial position; we continue to spend substantial sums of money on our major repair investment programme to continue compliance with the Scottish Housing Quality Standards ("SHQS") to meet the Energy Efficiency Standard for Social Housing ("EESH") deadline of the end of 2020, and maintaining the quality of the

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

homes our tenants live in. We have budgeted to spend £2.1 million on improvements to our homes in the coming year, with provision being made for the replacement and upgrading of the fire and smoke alarm systems in all of our homes by 2021.

Cash surpluses are expected to continue to be made over the next few years and will be used to fund our planned major repair programme and any new legislative changes introduced. We will continue to make efficiency savings in our operational costs wherever possible, and cash surpluses will continue to be invested into our homes to ensure our tenants are living in the best conditions possible.

Performance

This report details the main activities undertaken by Paisley Housing and how we have performed.

Corporate Governance

Paisley Housing Association has a Board (detailed on page 1) which is elected by members of the Association and is made up of tenants, local residents and representatives with a wider interest in Social Housing. It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction of Paisley Housing Association. It also monitors the operational activities of the Association which the Executive Officers undertake in line with the agreed policies throughout the year. The members of the Board undertake their work in a voluntary, unpaid capacity.

In addition to its strategic oversight role, the Board retain responsibility for the monitoring of particular aspects of the business and receive regular reports from the Executive officers on activities undertaken and performance against targets.

The Board has 2 sub committees which are responsible for monitoring Human Resources and Risk & Audit.

The Board oversees the Association's compliance with the Scottish Housing Regulator's ("SHR's") regulatory standards of Governance and Financial Management to ensure that the quality of our governance processes continued to improve.

2019 was the first year the SHR required the Board (along with all RSLs) to present it with an Annual Assurance Statement (October 2019). The Board confirmed to the best of their knowledge and belief that they have assurance of compliance with:

- All relevant regulatory requirements set out in section 3 of the Regulatory Framework.
- All relevant standards and outcomes in the Scottish Social Housing Charter.
- All relevant legislative duties.
- The SHR Standards of Governance and Financial Management.

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

The current intension is to again submit the return October 20. However the timing of this may change in light of the current Covid 19 Pandemic.

The Association is monitoring the current Covid 19 Pandemic, and where possible has claimed available grants to reduce the short term effect on the association and our tenants. The pandemic has also delayed, in particular our planned investment programme. Action is being taken to minimise short term risks and the longer term risks will be considered as part of our annual review of risks.

Housing Services

The Housing Management team, work with our tenants on a day to day basis as well as working allocating homes as they become vacant to new tenants.

The Technical team manages the reactive and cyclical repairs to our tenants' homes while they are occupied and when they become empty. This includes repairs to the inside and outside of tenants' homes as needed, arranging the annual servicing of gas boilers, inspecting tenement roofs and other activities needed to ensure tenants' homes are healthy, safe and secure. The team also manages the periodic painting of stairwells and windows, as well as working with our contractors and our Estates Team to keep backcourts and other common areas tidy and rubbish free.

The Technical team also manages the delivery of the common repairs service on behalf of PSPS for blocks of flat for which PSPS are factor.

Some key statistics on our repairs services include:

	Tenants Satisfaction Survey 2019	Tenants Satisfaction Survey 2016
Percentage of tenants satisfied with the quality of their home when moving when moving in in the year	93%	95%
who were satisfied with our repairs & maintenance service	93%	94%

	2020	2019
Percentage of reactive repairs "right first time"	98.5%	97.16%
Average time taken to complete emergency repairs	2.00 hours	2.07 hours
Average time taken to complete non-emergency repairs	2.88 days	2.88 days

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REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

During the year we have managed to maintain our response times for both emergency and non-emergency repairs. Our percentage of repairs completed right first time (i.e. not needing to be revisited within 12 months) has increased slightly but tenants' overall satisfaction with our service has fallen very slightly since the last tenant satisfaction survey in 2016.

Amounts spent on reactive and cyclical maintenance (excluding major repairs) in the year were:

	19/20	18/19
Day to day repairs to affordable homes	£592,811	£505,511
Cyclical repairs to affordable homes	£479,339	£570,860
Total reactive and cyclical repair costs	£1,072,159	£1,076,371

The Technical Team also manage the delivery of the improvements programme to our existing homes in the year as well as delivering a number of ad hoc upgrades to central heating systems and other parts of tenants' homes:

	2020
Windows	£104,916
Bathrooms	£376,661
Electrics	£394,150
Internal Pass Doors	£568,740
Firework	£11,423
Sundry Replacements	£27,252
Total spent on improvements to our homes	£1,483,142

The majority of the improvement programme is delivered via IFLAIR, a joint procurement initiative, made up of 8 community based RSLs in Renfrewshire, Inverclyde and East Renfrewshire, including Paisley HA. The aim of the initiative is to share the administration involved with larger procurement programmes as well as deliver efficiencies through more attractive buying power. Procurement for IFLAIR 3 took place during 2020, with the aim of being in place for 2021.

The Housing teams are also out and about carrying out regular inspections of our estate. As well as this they are signing up new tenants and providing assistance to tenants who are experiencing difficulties with their tenancy or their neighbours, and the Rents team supports

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REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

our tenants to maintain their tenancies by monitoring the arrears on accounts and staying in touch with tenants who are struggling to pay their rent.

Our Rents team, which includes a Welfare Benefits Officer, provide front line support to tenants to help them make their Housing Benefit or Universal Credit claims; to keep on top of what the Department for Work and Pensions needs from tenants to ensure that their benefits continue and; assist them to claim any new benefits they are entitled to. In particular they are working with tenants and residents who are struggling to understand the new Universal Credit system, while ensuring they know which other agencies are there to support them.

Some key housing management statistics, some taken from our Annual Charter Return, include:

	2020	2019
% rent loss during the year	0.60%	0.35%
Average time to re-let properties during the year	16.37days	13.95 days
Total rent arrears as a % of gross rental income YTD (current & former tenant arrears prior to write offs) excluding leases	2.58%	2.86%
Percentage of tenants satisfied with the management of the neighbourhood they live in	96%	95%

Finance and IT

The Finance and IT team continued to support the work of Paisley Housing Association and Paisley South Property Services throughout the year.

The IT team continue building on the various activities that we use to create opportunities for colleagues to work while out and about with mobile devices so that they can spend more time in our homes and our wider community, rather than at a desk. We are always looking for ways to save money by being smarter with the software and hardware that we use.

As part of this the Association is introducing replacement Housing Management Software. We are aiming to roll-out the first phase of this project spring 2021.

The following phase of this project will see the rollout of a customer portal where tenants will be able to view their account details, update their personal details and report repairs online at a time that suits them. This is a development on the services currently available via our website.

The tendered of the photocopiers, telephone lines, gas and electric services and internal audit were under taken during the year.

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Review of Business and Future Developments (Contd.)

Human Resources and Corporate Services

The Corporate Services officer in charge of Human Resources continued to support the work of Paisley Housing Association throughout the year.

The introduction of the new General Data Protection Regulations in May 2018 enhanced the legal requirements around the protection of our stakeholders' data that we hold and we are working continuously to ensure that we meet the requirements of this legislation.

In November 2019 Freedom of Information became applicable to housing associations. It is hoped this new legislation does not become a burden for us as a charitable organisations as we are working hard to make the money tenants pay us stretch as far as possible.

Other Matters

Creditor Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the payment terms set out by its suppliers. Where possible, our average payment period is no longer than 30 days.

Rental Income

Our rent setting procedure is based on the size, type and facilities available to each home. The rent charged is reviewed annually to ensure that rents received cover required costs, taking into account comparisons with other local RSLs and affordability for our tenant. The Board decision arrives at an increase each year to try and keep rents affordable while maintaining our services at current levels and maintaining our properties longer term.

Risk Management Policy

The Management Committee has a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the key risks to the Association, assessing their potential impact and likelihood of occurrence and then identifying the means by which we mitigate the risks.

As part of this process, the Board reviewed the adequacy of the Association's current internal controls. The Board has set policies and procedures which include internal controls to cover the following:

- Consideration of the type of risks Paisley Housing Association faces;
- The level of risk which it regards as acceptable;
- The likelihood of the risks concerned materialising;
- The Association's ability to reduce the incidence and impact on it of risks that materialise; and
- Management of the costs of operating particular controls, relative to the benefit obtained.

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

To ensure that these policies are adhered to, management has:

- Clarified the responsibility of management to implement the Board's policies and to identify and evaluate risks for the Board's consideration.
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- Embedded the control system in the Association's operations so that it becomes part of the culture of Paisley Housing Association;
- Developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- Included procedures for reporting failings to appropriate levels of management together with details of corrective action being taken.

The Association holds a strategic risk register which is regularly reviewed and monitored

During 2019/20 the Association appointed a new internal auditor and the Audit & Risk Committee have approved a 3 year programme for internal audit review. This will commence during 2021 with a review of Governance and Treasury Management.

Review and monitoring of Risk and Audit has been delegated from the Board to the Audit & Risk Committee, who reported to the full Board annually.

Budgetary Process

Each year the Board approves the five-year budgets and the rolling three-year Business Plan in which key risk areas are identified. Performance is monitored and relevant action taken if needed throughout the year through quarterly reporting to the Board, on variances from budget and updated projections for the year where necessary.

Approval procedures are in place in respect of major areas of risk such as major contract tenders expenditure and treasury management.

Treasury Management

Paisley Housing Association has an active treasury management function which operates in accordance with the Financial Regulations, Policies and Procedures approved by the Board.

In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, while minimising excess cash and liquid resources held as far as possible.

Paisley Housing Association, as a matter of policy, does not enter into financial transactions of a speculative nature.

At 31 March 2020 the Association has a mix of fixed and variable rate borrowings which it considers appropriate at this time.

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REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Contd.)

The Association is currently arranging a borrowing facility, commencing in 2021, for its new 2 new build schemes and one new Comprehensive Tenant Improvement Scheme.

Quality and Integrity of Staff

The integrity and competence of staff is ensured through our high standards for recruitment and the subsequent training and development of our staff. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Executive Officers. Our staffs also have opportunities to take part in a range of training activities to enhance and refresh their skills and knowledge.

Employee Involvement and Health and Safety

Paisley Housing Association encourages employee involvement in all major operational initiatives and in maintaining Health and Safety standards in all areas.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to make modifications to their working environment or retrain them in order that their employment with the Association may continue. It is the policy of Paisley Housing Association that training, career development and promotion opportunities should be available to all employees.

Future Prospects

Paisley Housing Association will continue with its policy of improving the quality of housing and housing services within its community, working with its existing and new partners.

The Association has one new build project on site in Glenburn, one new build project due in site later this year 2020 and working with the Scottish Government, Renfrewshire Council and the owners in 5 tenement blocks in Paisley, with the aim of purchasing the flats and then refurbishing them, to provide good quality rental property.

At the end of this financial year the number of tenants on UC was a small percentage of our total tenants but this number has continued to grow. This system presents challenges to the Association and its tenants, many of whom are not able to interact with system which is managed almost wholly online and only in English. We anticipate that this system will continue to present a challenge for our tenants over the coming years. In order to provide as much support as possible we will continue to provide the Welfare Rights team resource which includes a new temporary additional, grant funded Welfare Benefits post for 3 months.

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Board of Management and Executive Officers

The members of the Board of Management and the Executive officers are listed on page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Board of Management.

The members of the Board of Management are also trustees of the charity. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Board of Management to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements the Board of Management is required to:

- select suitable accounting policies and then 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 disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- prepare a statement on internal financial control.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them 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 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

Going Concern

Based on its budgetary and forecasting processes the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future.

It carefully plans the major repairs work to ensure that there is a balance in the cost of reactive and major repairs against the projected income levels to maintain cash levels as positive, and lenders' financial covenants at met.

The Board of Management has therefore continued to adopt the going concern basis of accounting in the preparation of the annual financial statements.

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Statement on Internal Financial Control

The Board of Management 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;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Management'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. 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 Association's assets;
- experienced and suitably qualified staff take responsibility for 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 the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports 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 Board of Management;
- the Board of Management 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year end 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Management Committee and Officers' Insurance

Paisley Housing Association has purchased and maintains insurance to cover the Board and Officers of the Association against liabilities in relation to their duties carried out on behalf of Paisley Housing Association, as authorised by the Association's rules.

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Donations

During the year the Association made charitable donations of £Nil (2019 - £4,298).

Disclosure of Information to the Auditor

The members of the Board of Management 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

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

By order of the Board of Management



EILEEN GRAHAM

Secretary

25/8/2020

PAISLEY HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF PAISLEY HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS

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 in the publication "Our Regulatory Framework" and associated Regulatory Advice 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. 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 of 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 Advice 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.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
1/9/2020



Alexander Sloan
Accountants and Business Advisers

PAISLEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAISLEY HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020

Opinion

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

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 the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are immaterial.

Basis of 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 United Kingdom, including the Financial Reporting Council'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 audit opinion.

Conclusions relating to going concern

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

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management 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 Board of Management is responsible for the other information. The other information comprises the information contained in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

PAISLEY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAISLEY HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020 (continued)

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 require 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 in accordance with the legislation; or
- the statement of comprehensive income and statement of financial position 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 Board of Management

As explained more fully in the statement of Board of Management's responsibilities as set out on page 11, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 audit 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.



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
1/9/2020



Alexander Sloan
Accountants and Business Advisers

PAISLEY HOUSING ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020	2019
		£	£
Revenue	2	6,672,650	7,018,117
Operating costs	2	4,871,457	5,552,544
OPERATING SURPLUS		1,801,193	1,465,573
Gain on sale of housing stock	7	-	24,461
Interest receivable and other income		8,341	8,982
Interest payable and similar charges	8	(132,859)	(166,670)
Other Finance income/(charges)	11	(28,000)	(29,000)
		<u>(152,518)</u>	<u>(162,227)</u>
Surplus on ordinary activities before taxation	9	1,648,675	1,303,346
Tax on surplus on ordinary activities	10	-	-
SURPLUS FOR THE YEAR		1,648,675	1,303,346
Other comprehensive income			
Adjustment relating to opening pension liability	19	-	(458,426)
Actuarial gains/(losses) on defined benefit pension plan	19	1,163,000	4,000
TOTAL COMPREHENSIVE INCOME		2,811,675	848,920

The results relate wholly to continuing activities.

The notes on pages 21 to 40 form an integral part of these financial statements.

PAISLEY HOUSING ASSOCIATION

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019
		£	£	£
NON-CURRENT ASSETS				
Housing properties - depreciated cost	12		47,494,373	47,517,335
Other tangible assets	12		1,650,780	694,602
Intangible assets	12		58,374	83,854
Investments	13		2	2
			<u>49,203,529</u>	<u>48,295,793</u>
CURRENT ASSETS				
Receivables	14	316,993	342,953	
Cash and cash equivalents	15	4,466,715	5,041,067	
		<u>4,783,708</u>	<u>5,384,020</u>	
CREDITORS: Amounts falling due within one year	16	<u>(1,713,046)</u>	<u>(1,747,754)</u>	
NET CURRENT ASSETS			<u>3,070,662</u>	<u>3,636,266</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			52,274,191	51,932,059
CREDITORS: Amounts falling due after more than one year	17		(5,266,161)	(5,526,702)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES				
Scottish housing association pension scheme	19	<u>(40,000)</u>	<u>(1,210,000)</u>	
			(40,000)	(1,210,000)
DEFERRED INCOME				
Social housing grants	20	<u>(25,897,886)</u>	<u>(26,936,887)</u>	
			<u>(25,897,886)</u>	<u>(26,936,887)</u>
NET ASSETS			<u>21,070,144</u>	<u>18,258,470</u>
EQUITY				
Share capital	21		34	35
Revenue reserves			21,110,110	19,468,435
Pension reserves			(40,000)	(1,210,000)
			<u>21,070,144</u>	<u>18,258,470</u>

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on 25/8/2020



Board Member



Board Member



Secretary

The notes on pages 21 to 40 form an integral part of these financial statements.

PAISLEY HOUSING ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020	2019
		£	£
Surplus for the Year		1,648,675	1,303,346
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible fixed assets	12	1,806,468	2,393,283
Amortisation of intangible assets	12	25,480	25,480
Amortisation of capital grants	20	(1,058,517)	(1,468,480)
Gain on disposal of tangible fixed assets		-	(24,461)
Non-cash adjustments to pension provisions		(7,000)	171,000
Share capital written off	21	(6)	(9)
		<u>766,425</u>	<u>1,096,813</u>
Interest receivable		(8,341)	(8,982)
Interest payable	8	132,859	129,280
		<u>124,518</u>	<u>120,298</u>
Operating cash flows before movements in working capital		2,539,618	2,520,457
Change in debtors		25,960	(20,475)
Change in creditors		(89,029)	445,175
		<u>(63,069)</u>	<u>424,700</u>
Net cash inflow from operating activities		2,476,549	2,945,157
Investing Activities			
Acquisition and construction of properties		(1,690,930)	(1,406,358)
Purchase of Intangible Fixed Assets		-	(37,076)
Purchase of other fixed assets		(1,052,209)	(104,763)
Social housing grant received		19,516	-
Proceeds on disposal of housing properties		3,455	33,258
		<u>(2,720,168)</u>	<u>(1,514,939)</u>
Net cash outflow from investing activities		(2,720,168)	(1,514,939)
Financing Activities			
Interest received on cash and cash equivalents		8,341	8,982
Interest paid on loans		(132,859)	(129,280)
Loan principal repayments		(206,220)	(459,016)
Share capital issued	21	5	3
		<u>(330,733)</u>	<u>(579,311)</u>
Net cash outflow from financing activities		(330,733)	(579,311)
(decrease)/increase in cash	22	(574,352)	850,907
Opening cash & cash equivalents		5,041,067	4,190,160
Closing cash & cash equivalents		<u>4,466,715</u>	<u>5,041,067</u>
Cash and cash equivalents as at 31 March			
Cash	22	4,466,715	5,041,067
		<u>4,466,715</u>	<u>5,041,067</u>

The notes on pages 21 to 40 form an integral part of these financial statements.

PAISLEY HOUSING ASSOCIATION

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	41	-	17,409,515	17,409,556
Issue of Shares	3	-	-	3
Cancellation of Shares	(9)	-	-	(9)
Other comprehensive income	-	(454,426)	-	(454,426)
Other movements	-	(755,574)	755,574	-
Surplus for the year	-	-	1,303,346	1,303,346
Balance as at 31 March 2019	35	(1,210,000)	19,468,435	18,258,470
Balance as at 1 April 2019	35	(1,210,000)	19,468,435	18,258,470
Issue of Shares	5	-	-	5
Cancellation of Shares	(6)	-	-	(6)
Other comprehensive income	-	1,163,000	-	1,163,000
Other movements	-	7,000	(7,000)	-
Surplus for the year	-	-	1,648,675	1,648,675
Balance as at 31 March 2020	34	(40,000)	21,110,110	21,070,144

The notes on pages 21 to 40 form an integral part of these financial statements.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below

Revenue

Revenue comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, other services provided, revenue grants receivable and government grants released to income in the period.

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

Going Concern

On the basis that the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	Over 50 years
Roofs	Over 50 years
Bathrooms	Over 25 years
Windows	Over 25 years
Electrics	Over 30 years
Entrance Doors	Over 30 years
Close Doors	Over 20 years
Internal Doors	Over 35 years
Door Entry	Over 15 years
Kitchen	Over 15 years
Heating - Boilers	Over 14 years
Heating - Radiators	Over 28 years
Lifts	Over 30 years
Multi (Balconies)	Over 30 years
Smoke Alarm/Heat Detectors	Over 10 years

Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	4% Straight Line
Furniture, Fittings and Equipment	20% Straight Line

The carrying values of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

Although social housing grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the statement of recommended practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the statement of comprehensive income.

Disposals under shared equity schemes are accounted for in the statement of comprehensive income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives or the term of the lease whichever is shorter.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Borrowing Costs

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. All other borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a non-current asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income.

Property developments that are intended for resale are included in current assets until disposal.

Basis of Consolidation

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The financial statements for Paisley Housing Association present information about it as an individual undertaking and not about the group.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

Cash and Liquid Resources

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that can't be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

Impairment

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service potential.

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the the Association to exercise judgement in applying the it's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

Key Judgements

a) *Categorisation of Housing Properties*

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) *Identification of cash generating units*

The Board of Management considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) *Financial instrument break clauses*

The Board of Management has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In their judgement these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) *Pension Liability*

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Estimation Uncertainty

a) *Rent Arrears - Bad Debt Provision*

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

b) *Life Cycle of Components*

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) *Useful life of properties, plant and equipment*

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) *Costs of shared ownership*

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

e) *Defined pension liability*

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

f) *Covid 19*

The pandemic has caused significant uncertainties in relation to the value of assets and future operations of the Association going forward. The Board of Management has to the best of its ability considered what impact the restrictions, imposed as a result of the pandemic, may have on the Association and have taken action to mitigate the impact wherever possible.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Notes	2020			2019		
		Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	6,657,250	4,867,876	1,789,374	6,998,463	5,548,053	1,450,410
Other Activities	4	15,400	3,581	11,819	19,654	4,491	15,163
Total		6,672,650	4,871,457	1,801,193	7,018,117	5,552,544	1,465,573

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

	General Needs Housing £	Shared Ownership £	2020 Total £	2019 Total £
Revenue from Lettings				
Rent receivable net of service charges	5,355,554	6,701	5,362,255	5,193,371
Service charges receivable	196,883	-	196,883	194,679
Gross income from rent and service charges	5,552,437	6,701	5,559,138	5,388,050
Less: Rent losses from voids	33,734	-	33,734	18,716
Income from rents and service charges	5,518,703	6,701	5,525,404	5,369,334
Grants released from deferred income	1,057,333	1,184	1,058,517	1,569,778
Revenue grants from Scottish Ministers	73,329	-	73,329	59,351
Total turnover from affordable letting activities	6,649,365	7,885	6,657,250	6,998,463
Expenditure on affordable letting activities				
Management and maintenance administration costs	1,786,124	-	1,786,124	1,947,180
Service costs	257,953	-	257,953	153,632
Planned and cyclical maintenance, including major repairs	479,339	-	479,339	570,860
Reactive maintenance costs	592,811	-	592,811	505,511
Bad Debts - rents and service charges	37,757	-	37,757	27,007
Depreciation of affordable let properties	1,712,453	1,439	1,713,892	2,343,863
Operating costs of affordable letting activities	4,866,437	1,439	4,867,876	5,548,053
Operating surplus on affordable letting activities	1,782,928	6,446	1,789,374	1,450,410
2019	1,444,278	6,132		

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£
Developments and improvements for sale to other organisations	-	-	3,581	(3,581)	(4,491)
Commercial Leases	15,400	15,400	-	15,400	15,356
Charitable donations	-	-	-	-	4,298
Total From Other Activities	15,400	15,400	3,581	11,819	15,163
2019	19,654	19,654	4,491	15,163	

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2020	2019
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Association. Emoluments excludes social security costs.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	<u>135,356</u>	<u>70,772</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>16,582</u>	<u>8,953</u>
Emoluments payable to Chief Executive (excluding pension contributions)	73,677	70,772
Pension contributions paid on behalf of the Chief Executive	9,141	8,953
Total emoluments payable to the Chief Executive	<u>82,818</u>	<u>79,725</u>
Total emoluments paid to key management personnel (excluding pension contributions)	<u>254,075</u>	<u>245,204</u>

The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	3	-
£70,001 to £80,000	-	1
£80,001 to £90,000	<u>1</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2020	2019
	No.	No.
Average monthly number of full time equivalent persons employed during the year	<u>35</u>	<u>34</u>
Average total number of employees employed during the year	<u>35</u>	<u>34</u>
Staff costs were:	£	£
Wages and salaries	1,119,714	1,061,015
National insurance costs	91,434	91,172
Pension costs	316,000	288,000
	<u>1,527,148</u>	<u>1,440,187</u>

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	-	33,258
Cost of sales	-	8,797
	<u>-</u>	<u>24,461</u>
Gain on sale of housing stock	-	24,461

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	132,859	166,670
	<u>132,859</u>	<u>166,670</u>

9. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,806,468	2,342,679
Gain on component disposals	(3,455)	-
Auditors' remuneration - audit services	8,640	8,160
Operating lease rentals - land & buildings	6,750	6,750
(Loss) on sale of other non-current assets	-	24,461
	<u>-</u>	<u>24,461</u>

10. CORPORATION TAX

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. OTHER FINANCE INCOME / (CHARGES)

	2020	2019
	£	£
Net interest on pension obligations	(28,000)	(29,000)
	<u>(28,000)</u>	<u>(29,000)</u>

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
At 1 April 2019	72,796,968	734,395	78,140	73,609,503
Additions	1,483,143	207,787	-	1,690,930
Disposals	(75,253)	-	-	(75,253)
Transfers	271,678	(271,678)	-	-
At 31 March 2020	<u>74,476,536</u>	<u>670,504</u>	<u>78,140</u>	<u>75,225,180</u>
DEPRECIATION				
At 1 April 2019	26,056,126	-	36,042	26,092,168
Charge for Year	1,708,998	-	1,439	1,710,437
Transfers	-	-	-	-
Disposals	(71,798)	-	-	(71,798)
At 31 March 2020	<u>27,693,326</u>	<u>-</u>	<u>37,481</u>	<u>27,730,807</u>
NET BOOK VALUE				
At 31 March 2020	<u>46,783,210</u>	<u>670,504</u>	<u>40,659</u>	<u>47,494,373</u>
At 31 March 2019	<u>46,740,842</u>	<u>734,395</u>	<u>42,098</u>	<u>47,517,335</u>

	2020		2019	
	<i>Component replacement</i> £	<i>Improvement</i> £	<i>Component replacement</i> £	<i>Improvement</i> £
Expenditure on Existing Properties				
Amounts capitalised	1,483,143	-	1,125,990	39,780
Maintenance expenditure to existing properties	-	1,072,150	-	1,076,371

All land and housing properties are heritable.

Additions to housing properties include capitalised development administration costs of £17,511 (2019-£10,010)

The Association's lenders have standard securities over housing property with a carry value of £23,764,698

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Machinery & Equipment £	Total £
COST				
At 1 April 2019	1,015,966	123,397	13,198	1,152,561
Additions	1,020,842	31,367	-	1,052,209
At 31 March 2020	<u>2,036,808</u>	<u>154,764</u>	<u>13,198</u>	<u>2,204,770</u>
DEPRECIATION				
At 1 April 2019	341,876	113,443	2,640	457,959
Charge for year	81,472	11,919	2,640	96,031
At 31 March 2020	<u>423,348</u>	<u>125,362</u>	<u>5,280</u>	<u>553,990</u>
NET BOOK VALUE				
At 31 March 2020	<u>1,613,460</u>	<u>29,402</u>	<u>7,918</u>	<u>1,650,780</u>
At 31 March 2019	<u>674,090</u>	<u>9,954</u>	<u>10,558</u>	<u>694,602</u>

12. (c) Intangible assets	Website & Software £	Total £
COST		
At 1 April 2019	127,399	127,399
Additions	-	-
Eliminated on disposals	-	-
At 31 March 2020	<u>127,399</u>	<u>127,399</u>
AMORTISATION		
At 1 April 2019	43,545	43,545
Charge for year	25,480	25,480
Eliminated on disposal	-	-
At 31 March 2020	<u>69,025</u>	<u>69,025</u>
NET BOOK VALUE		
At 31 March 2020	<u>58,374</u>	<u>58,374</u>
At 31 March 2019	<u>83,854</u>	<u>83,854</u>

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FIXED ASSET INVESTMENTS

	2020	2019
	£	£
Subsidiary undertakings	2	2
	<u>2</u>	<u>2</u>

Subsidiary Undertakings

Paisley Housing Association has the following wholly owned subsidiary undertakings. The registered office of the subsidiary is ,64 Espedair Street,Paisley.

	2020		2019	
	Reserves	Profit / (Loss)	Reserves	Profit / (Loss)
	£	£	£	£
Paisley South Property Services Limited	<u>7,437</u>	<u>2,212</u>	<u>7,437</u>	<u>4,298</u>

During the year, Paisley Housing Association Limited provided management, maintenance, factoring services to Paisley South Property Services Limited for which a charge of £40,123 (2019- £37,424) was made. A donation equivalent to the profit for the year of £2,212 (2019- £4,298) was also received from Paisley South Property Services Limited after the year end. At the year end £51,233 (2019- £140,091) was due to the Association from Paisley South Property Services.

14. RECEIVABLES

	2020	2019
	£	£
Gross arrears of rent and service charges	143,086	132,553
Less: Provision for doubtful debts	<u>(43,627)</u>	<u>(37,058)</u>
<i>Net arrears of rent and service charges</i>	99,459	95,495
Other receivables	166,301	107,367
Amounts due from group undertakings	51,233	140,091
	<u>316,993</u>	<u>342,953</u>

15. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank and in hand	<u>4,466,715</u>	<u>5,041,067</u>

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

16. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2020	2019
	£	£
Bank loans	485,790	431,469
Trade payables	667,401	191,794
Rent received in advance	303,615	215,908
Other taxation and social security	31,863	57,171
Other payables	149,345	93,269
Accruals and deferred income	75,032	758,143
	<u>1,713,046</u>	<u>1,747,754</u>

17. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	2020	2019
	£	£
Bank loans	5,266,161	5,526,702

18. DEBT ANALYSIS - BORROWINGS		
	2020	2019
	£	£
Bank Loans		
Amounts due within one year	485,790	431,469
Amounts due in one year or more but less than two years	471,508	397,327
Amounts due in two years or more but less than five years	1,349,263	1,170,021
Amounts due in more than five years	3,445,390	3,959,354
	<u>5,751,951</u>	<u>5,958,171</u>

The Association has a number of bank loans the principal terms of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
Bank of Scotland	4	3.0%	2022	Fixed
Bank of Scotland	3	1.5% + BR	2025	Variable
Bank of Scotland	6	3.0%	2022	Fixed
Bank of Scotland	21	0.62% + BR	2026	Variable
Bank of Scotland	9	3.0%	2022	Fixed
Bank of Scotland	25	0.75% + BR	2031	Variable
Bank of Scotland	-	4.8%	2031	Fixed
Bank of Scotland	25	0.75% + BR	2031	Variable
Bank of Scotland	-	4.8%	2031	Fixed
Nationwide Building Society	11	MR	2026	Variable
Clydesdale Bank	10	0.9% + BR	2022	Variable
Clydesdale Bank	14	0.9% + BR	2022	Variable
Clydesdale Bank	71	0.9% + BR	2028	Variable
Clydesdale Bank	20	0.67% + BR	2033	Variable
Clydesdale Bank	27	0.67% + BR	2033	Variable
Clydesdale Bank	24	0.67% + BR	2033	Variable
Clydesdale Bank	33	0.67% + BR	2033	Variable
Clydesdale Bank	17	0.67% + BR	2033	Variable
Coop Bank	47	4.5%	2031	Fixed
Royal Bank of Scotland	11	0.4%+BR5	2034	Variable
Royal Bank of Scotland	27	0.425%+BR5	2034	Variable
Royal Bank of Scotland	-	0.425%+BR5	2038	Variable
Royal Bank of Scotland	23	0.4%+BR5	2038	Variable
Royal Bank of Scotland	32	0.4%+BR5	2039	Variable
Scottish Government	-	0.0%	2025	Fixed

All the Association's bank borrowings are repayable on a monthly - annual basis with the principal being amortised over the term of the loans.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

Paisley Housing Association participates in the Scottish Housing Association Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of £-458426.

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020	2019
	£	£
Fair value of plan assets	6,484,000	5,680,000
Present value of defined benefit obligation	6,524,000	6,890,000
Surplus / (deficit) in plan	(40,000)	(1,210,000)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(40,000)	(1,210,000)

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation at the start of period	6,890,000	6,140,000
Current service cost	311,000	283,000
Expenses	5,000	5,000
Interest expense	163,000	162,000
Contributions by plan participants	11,779	11,311
Actuarial losses (gains) due to scheme experience	163,000	(147,000)
Actuarial losses (gains) due to changes in demographic assumptions	(40,000)	18,000
Actuarial losses (gains) due to changes in financial assumptions	(818,000)	480,000
Benefits paid and expenses	(162,000)	(62,000)
Defined benefit obligation at the end of period	<u>6,523,779</u>	<u>6,890,311</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2020	2019
	£	£
Fair value of plan assets at start of period	5,680,000	5,097,000
Interest income	135,000	133,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	468,000	355,000
Contributions by the employer	351,000	146,000
Contributions by plan participants	11,779	11,311
Benefits paid and expenses	(162,000)	(62,000)
Fair value of plan assets at the end of period	<u>6,483,779</u>	<u>5,680,311</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £603,000

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Current service cost	311,000	283,000
Expenses	5,000	5,000
Net interest expense	28,000	29,000
	<u>344,000</u>	<u>317,000</u>
Defined benefit costs recognised in statement of comprehensive income	344,000	317,000

Defined benefit costs recognised in the other comprehensive income

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain / (loss)	468,000	355,000
Experience gains and losses arising on plan liabilities - gain / (loss)	(163,000)	147,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain / (loss)	40,000	(18,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	818,000	(480,000)
	<u>1,163,000</u>	<u>4,000</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	1,163,000	4,000
	<u>1,163,000</u>	<u>4,000</u>
Total amount recognised in other comprehensive income - gain (loss)	1,163,000	4,000

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets	2020 £	2019 £	2018 £
Absolute Return	398,000	481,000	605,000
Alternative Risk Premia	520,000	317,000	193,000
Corporate Bond Fund	474,000	398,000	356,000
Credit Relative Value	156,000	99,000	-
Distressed Opportunities	118,000	97,000	23,000
Emerging Markets Debt	231,000	182,000	174,000
Fund of Hedge Funds	-	16,000	146,000
Global Equity	892,000	914,000	917,000
Index Linked All Stock Gilts	-	-	-
Infrastructure	382,000	238,000	93,000
Insurance-Linked Securities	174,000	147,000	140,000
Liability Driven Investment	1,708,000	2,021,000	1,795,000
Long Lease Property	158,000	69,000	-
Net Current Assets	49,000	6,000	9,000
Over 15 Year Gilts	82,000	146,000	165,000
Private Debt	128,000	73,000	47,000
Property	121,000	113,000	201,000
Risk Sharing	205,000	165,000	46,000
Secured Income	360,000	198,000	187,000
Opportunistic Illiquid Credit	158,000	-	-
Liquid Credit	170,000	-	-
Total assets	<u>6,484,000</u>	<u>5,680,000</u>	<u>5,097,000</u>

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

Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.3%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	2.6%	3.3%	3.2%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance		

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

	Life expectancy at age 65 years (years)
Male retiring in 2019	21.5
Female retiring in 2019	23.2
Male retiring in 2039	22.8
Female retiring in 2039	<u>24.5</u>

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. DEFERRED INCOME

	Social Housing Grants £	Total £
Capital grants received		
At 1 April 2019	48,067,635	48,067,635
Additions in the year	19,516	19,516
Eliminated on disposal	(61,508)	(61,508)
At 31 March 2020	<u>48,025,643</u>	<u>48,025,643</u>
Amortisation		
At 1 April 2019	21,130,748	21,130,748
Amortisation in year	1,058,517	1,058,517
Eliminated on disposal	(61,508)	(61,508)
At 31 March 2020	<u>22,127,757</u>	<u>22,127,757</u>
Net book value		
At 31 March 2020	<u>25,897,886</u>	<u>25,897,886</u>
At 31 March 2019	<u>26,936,887</u>	<u>26,936,887</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2020 £	2019 £
Amounts due within one year	1,036,164	1,468,480
Amounts due in more than one year	24,884,075	25,468,407
	<u>25,920,239</u>	<u>26,936,887</u>

21. SHARE CAPITAL

	2020 £	2019 £
Shares of £1 each, issued and fully paid		
At 1 April	35	41
Issued in year	5	3
Cancelled in year	(6)	(9)
At 31 March	<u>34</u>	<u>35</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. CASH FLOWS

<i>Reconciliation of net cash flow to movement in net debt</i>		2020		2019
	£	£	£	£
(Decrease) / increase in cash	(574,352)		850,907	
Cashflow from change in net debt	206,220		897,822	
Movement in net debt during the year		(368,132)		1,748,729
Net debt at 1 April		(917,104)		(2,665,833)
Net debt at 31 March		<u>(1,285,236)</u>		<u>(917,104)</u>

<i>Analysis of changes in net debt</i>	At		Other		At
	01 April 2019	Cashflows	Changes		31 March 2020
	£	£	£	£	£
Cash and cash equivalents	5,041,067	(574,352)	-		4,466,715
	5,041,067	(574,352)	-		4,466,715
Debt: Due within one year	(431,469)	206,220	(260,541)		(485,790)
Due after more than one year	(5,526,702)	-	260,541		(5,266,161)
Net debt	<u>(917,104)</u>	<u>(368,132)</u>	<u>-</u>		<u>(1,285,236)</u>

23. CAPITAL COMMITMENTS

	2020	2019
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	<u>573,176</u>	<u>355,513</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

24. COMMITMENTS UNDER OPERATING LEASES

	2020	2019
	£	£
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Land and Buildings		
Expiring in the next year	<u>6,750</u>	<u>-</u>

25. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 64 Espedair Street, Paisley, PA2 6RW, .

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Paisley.

PAISLEY HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

26. BOARD OF MANAGEMENT MEMBER EMOLUMENTS

Board of Management members received £1,124 (2019 - £1,289) in the year by way of reimbursement of expenses. No remuneration is paid to Board of Management members in respect of their duties to the Association.

27. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General needs	1,204	1,204
Shared ownership	2	2
	<u>1,206</u>	<u>1,206</u>

28. RELATED PARTY TRANSACTIONS

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102.

Any transactions between the Association and any entity with which a Board of Management member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Board of Management members (and their close family) were as follows:

	2020 £	2019 £
Rent received from tenants on the Board of Management and their close family members	<u>24,439</u>	<u>35,755</u>

At the year end total rent arrears owed by the tenant members on the Board of Management (and their close family) were £0 (2019 - £1,636).

Members of the Board of Management who are tenants	5	7
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