

PARAGON HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Paragon Housing Association Limited

Report and Financial Statements For the year ended 31 March 2022

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Registration Particulars:

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

Paragon Housing Association Limited

Management Committee, Executives and Advisers For the year ended 31 March 2022

Management Committee

Flora Wallace	Chair	
Michael Hesketh	Joint Vice Chair	Resigned 15/09/2021
June Anderson	Joint Vice Chair	
Susan Robertson	Treasurer	Resigned 19/01/2021
Elisabeth Campbell		
Rosie Murray		
Fiona Speirs		
Elizabeth McNie		
Malcolm Richards		
Kathleen Menzies		
Sandy Young		

Executive Officers

Margaret Torrance	Director	
Pamela Milne	Finance & Investment Manager	Resigned 15/09/2021
Margaret Thompson	Interim Finance & Investment Manager	Appointed 31/08/2021
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

Paragon Housing Association Limited

Report of the Management Committee For the year ended 31 March 2022

The Management Committee presents their report and audited financial statements for the year ended 31 March 2022.

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.

Covid 19 Impact

The impact of the Covid 19 pandemic continued into 2021-22 from the previous year. This meant continued uncertainties and challenging conditions across all areas of the business. Progress was made on a number of fronts

The robust business position at the start of the pandemic in March 2020 meant that the Association was in a strong position to respond to the situation. Experience gained and actions taken during 2020/21 provided a solid footing to continue providing services and delivering key objectives throughout the year.

The impact of the pandemic continues to be felt and the Association continues to keep this under review across all areas of the business including the financial matters, human resources, service delivery and performance with actions being taken to ensure organisational capacity to manage the challenging situation.

JRW Repairs & Gas Maintenance Contracts

The McDougall Group provided JRW Repairs services until November 2021. At this time the contract was novated to McGill Facilities Management who acquired the McDougall Group in August 2021. In May 2022 McGill provided notice to the Association that they were withdrawing the service and new arrangements were put in place very swiftly with Everwarm Limited to deliver repairs services going forward from 4th July 2022. Arrangements were put in place to manage an orderly transfer of the service.

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

Throughout the period of lockdown and restrictions, the Association encouraged tenants to continue to report repairs and so was able to have a clear picture of any backlog of work accruing in order to facilitate a catch up of works as restrictions eased. Good progress was made and, with a small number of exceptions, all works were completed.

Housing Management Services

Throughout lockdown and other restrictions, the allocation of properties continued as permitted with an emphasis on dealing with homelessness. During the year 100% of offers made to homeless Section 5 referral applicants resulted in an acceptance of tenancy. Generally, the percentage of offers

Paragon Housing Association Limited

Report of the Management Committee (continued) For the year ended 31 March 2022

refused reduced to 16.81% which continues the downward trend experienced since 29.16% was reported in 2018/19.

Turnover was 105 units compared to 87 in the previous year. Average relet days reduced to 50.51 compared to the 2020/21 average of 57.8 days. This remains higher than pre-Covid figures and early ARC indicators published by Scotland's Housing Network suggest this trend regarding relet days is reflected across the sector.

During 2020/21 gross rent arrears rose to 6.64% but fell back to 5.51% for 2021/22. However the Association recognises that in the current economic climate there are no guarantees that this reduction will continue into 2022/23.

The Association remains committed to supporting tenancy sustainment and this was aided through an ongoing innovative partnership project with Link Housing Association by delivering a tenancy support service via LinkLiving. The project is called HoME – "Help on Managing Everything "and it provides intensive one to one support to tenants requiring help to manage their tenancies and other day to day affairs, particularly in challenging conditions. Given the ongoing success of the project the Management Committee approved an extension and expansion of the scheme into 2022/23.

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

Tenant/Owner Engagement

There is a well-established Tenant Scrutiny Panel in place. Members continued to meet virtually during lockdown They have continued to scrutinise overall performance and the Association's response to Covid 19. They are involved in a rent harmonisation exercise which is currently being undertaken by independent consultants.

An owners' working group is in place and the group is assisting with a review of the Association's Factoring Policy.

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 2021/22 the surveys showed an improvement in most satisfaction levels with overall satisfaction increasing from 80.04% to 84.38%.

Communications

The pandemic has affected how the Association interacts with service users and the need to communicate the pandemic impact on services remains a priority. The Association's web site and a Facebook Page provide useful means of communication. There is a growing use of digital communications by service users.

Paragon Housing Association Limited

**Report of the Management Committee (continued)
For the year ended 31 March 2022**

HOUSING STOCK BREAKDOWN BY AREA AS AT 31st MARCH 2022

The number of housing units increased from 1,433 to 1,435 at the end of March 2022.

Local Authority Area	31/3/2021	31/3/2022
Falkirk	858	860
Clackmannanshire	416	416
Stirling	159	159
	1,433	1,435

PERFORMANCE AREA

Performance Area	2021/22	2020/21
Rent collected as a percentage of total rent due in the reporting year	100.44%	98.58%
Gross tenant non technical arrears as % of gross rental income	5.51	6.64%
Average length of time to complete non emergency repairs – measured in days	10.48	10.97
Number of times statutory duty to complete a gas safety check not met	2	9
Percentage of rent lost through properties being empty during the last year	0.85%	0.81%
Number of void properties over 6 months at year end	0	0

The Association monitors performance across key areas on an ongoing basis. The outturns for 2021/22 are comparable with the figures for 2020/21, with an improved performance in rent arrears despite an ongoing challenging operational environment.

Complaints Performance

Completed 2021/22	Percentage completed in SPSO Model Complaints Response times	Upheld – fully or partially
Frontline Complaints	5 days response time	Number
112	93.5%	65
Investigative Complaints	20 days response time	Number
33	90.3%	24

Development and Performance

Financial Performance

The Association achieved an operating surplus for the year of £1.6million (2021 - £2million). The total comprehensive income for the year was £1.5m (2021-£764k). This includes an actuarial gain in respect of the pension scheme of £463k compared to an actuarial loss of £605k in 2021 which, in turn, has resulted in a decrease of the pension liability of £546k. The decrease in the pension liability has arisen due to changes in the underlying assumptions used to calculate the liability at the year end and does not reflect the amount that the Association contributes to the scheme.

The operating expenditure for the year was £4.8m (2021 £4.4m). Included in these operating costs is expenditure on reactive, cyclical and planned maintenance. The Association spent £2.0m (2021-£1.7m) on these activities. Included in this expenditure is work on the installation of smoke detectors and heat detectors. This is a requirement of The Housing (Scotland) Act 1987 which was amended to incorporate this. The Association received a Scottish Government interest free loan of £996k for this work which is included in the loan balance in the financial statements. This work was completed by September 2021. A further £726k (2021-£394k) of work to existing properties was treated as capital expenditure.

Rent Arrears have decreased by £65.5k this year to £340k (2020-£406k). The Tenancy Management Team have continued to work with tenant to mitigate the impact of Covid and other economic pressures.

Voids have increased in the year. This year void loss is £60k (2021-£58k) with void days decreasing from 5,029 days to 4,748 days. Covid procedures continued to add 6 to 7 days to the void process.

The business planning and budget process was subject to external independent review during 2021/22. The Internal Audit report of Business Planning Budgetary Control / Financial Modelling & Scenario Planning reviewed the Association's process for developing the 2021/22 budget against guidance produced by the SHR. From this comparison exercise it was identified that the Association's financial planning framework complied with the SHR guidance in all significant respects. In addition a business plan "health check" was carried out by an independent consultant and was deemed to be robust across 6 key tests including sustainability of the plan (short, medium & long term), rent affordability, debt affordability, stock investment levels, service levels and management and mitigation of risk.

Throughout December 2021 and January 2022, the issue of the rent increase to be applied for 2022 / 23 was considered and consulted on against a background of rapidly rising inflation. Many factors

were taken account of when making the decision including rent affordability, the rising cost of living and the impact on the costs of service delivery and investment in the housing stock. It was agreed that 2.9% would be applied, representing a lower than the CPI or RPI inflation rate.

In the latter part of the year an exercise was undertaken to stress test the 30 year Business Plan, as previously approved and sent to our lenders, by Arneil Johnston. This provided assurance that the Business Plan is robust enough to withstand an effective reduction in income as a result of applying a lower than inflation Rent Increase in 2022/23.

Further assurance was provided that the Association could comfortably absorb drawing down the remaining Loan Facility of £4m from RBS, which the Management Committee approved on 30th March 2022 and this was subsequently drawn down on March 31st 2022. This provides greater flexibility to engage in future development work and the potential for additional stock expenditure. During 2022/23 discussions are being held with RBS in respect of relaxing the current covenants over the facility to enhance this flexibility.

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 2021/22 the purchase of two units was concluded in difficult market conditions. To date for 2022/23, the acquisitions of four units have been concluded and due to transfer June 2022. There is secured HAG funding for a further four units in 2022/23.

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

SHQS & EESSH

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

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

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

2019/2020: £0.19m

2020/2021 : £1.05m

2021/2022: £0.30m

The 2020/21 thirty year Business plan includes expenditure of £2.53m for 2020/21 on planned and cyclical maintenance and major repairs including components. The 2020/21 Annual Accounts shows £1.29m having been spent on these costs. The 2020/21 and 2021/22 figures above for incomplete works due to the Covid 19 is included in the shortfall of £1.24m on actual expenditure against that projected in the Business Plan.

The 2021/22 thirty year Business plan includes expenditure of £2.02m for 2021/22 on planned and cyclical maintenance and major repairs including components. In the 2021/22 Annual Accounts £1.08m has been spent on these costs. The 2020/21 and 2021/22 figures above for incomplete works

Paragon Housing Association Limited

Report of the Management Committee (continued) For the year ended 31 March 2022

due to the Covid 19 is included in the shortfall of £940k on actual expenditure against that projected in the Business Plan.

Risk Assessments & Method Statements (RAMS) are in place and submitted to the Association's consultants dealing with Construction (Design and Management) Regulations 2007 requirements including health and safety management. These are approved and signed off prior to any site start. Lockdown restrictions, supply chain delays and additional requirements on contractors have had an impact on the works planned for 2021/22 and remains into 2022/23 programme.

As at March 2022, 86.97 % (1248/1435) of the Association's properties are meeting the Scottish Housing Quality Standard (SHQS) and 97.4% (1397/1435) are meeting the Energy Efficiency Standard Social Housing (ESSH), which had a target delivery date of December 2020. The 38 properties not meeting ESSH 1 were planned for energy efficiency works in 2021/22 and are now included in the 2022/23 programme.

The areas of non-compliance for the SHQS are where owners have not agreed to take part in Door Entry System (DES) improvement work & a small number (67) of properties outstanding for EICR works. The works for the 67 properties due EICR works are committed and underway in 2022/23.

There was continued investment to improve energy efficiency through the carried over programme of External Wall Insulation (EWI), Cavity Wall Insulation (CWI) and boiler replacement during 2021/22. Most of the planned works in 2021/22 was work originally planned for 2019/20 & 2020/21 affected by Covid 19.

The Housing (Scotland) Act 1987 was amended to reflect the new requirements around smoke detectors and heat detectors (FCMD). The Association made a successful bid for a Scottish Government interest free loan of £995,981 to support the installations which was received in December 2019. There was good progress being made towards this before the lockdown and the programme was due for completion by the original target date of February 2021. In recognition of the impact of the pandemic the Scottish Government has extended the deadline until Feb 2022. The Association successfully met the target installation date requirements with all 1,435 properties 100% compliant.

FCMD Spend Breakdown

2019/20 £454,452.05

2020/21 £445,887.60

2021/22 £167,600.00 (this amount included retention release from previous phases & consultant fees)

Stock Condition Survey

A full independent stock condition survey was commissioned for 2020/21 and completion was delayed due to pandemic restrictions. This was completed in late 2021 and generally confirmed the Association's existing view of the condition of the stock. There was no immediate or significant action required as a result of the findings. The independent projections on life cycle and costs of components were in line with Association's existing projections. On completion of the survey, a new Asset Management system (HUB) has been purchased to replace an older bespoke system. All data from the recent stock condition survey has been uploaded. In 2022/23, the data from the existing Asset Management system will be integrated into the HUB to compliment the results of the Stock Condition Survey data.

Future Prospects

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

The planned stock investment programme going forward includes a major roofing and rendering programme, central heating upgrades, sanitaryware replacements, kitchens, environmental works, and door entry system installations.

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 our housing stock with energy efficiency, fuel poverty and decarbonisation in mind. Both are Scottish Government funded and are free for the Association to use. Both tools will assist the Association to target energy efficiency improvements to move towards meeting the new EESSH 2 target in 2032.

Positive discussions have been held with lenders over reviewing covenants where Covid 19 and additional costs such as the FCMD programme may have a restricting impact on the ability to catch up on improvement expenditure. In addition to, and linked to the FCMD, is the requirement through the Housing Scotland Act 2006 amendment to organise Electrical Inspection Condition Report (EICR) every 5 years at all properties. Prior to this amendment, the Association undertook EICR every 10 years. This will result in additional costs on an intermediate 5-year cycle going forward.

Delivery of the EESSH 2 standard is a challenge for the sector. The Scottish Government Heat in Buildings Division recently took over the lead in the Scottish Government for the national policy development required to support the decarbonisation of the social housing sector. In May 2022 the Scottish Government's formal response to the Zero Emissions Social Housing Taskforce (ZEST) report was published. In the report it was highlighted the need for clarity with regards to the second Energy Efficiency Standard for Social Housing (EESH2) given that the current milestones do not fully align with net zero, and it also confirmed that Housing Associations and Local Authorities need long-term certainty to plan investment.

The review of EESH2 is being brought forward to commence this year, for completion in 2023. The review will consider both energy efficiency upgrades and the deployment of zero emissions heating systems together in order to build understanding of the impacts on outcomes for tenants. This will provide certainty to the sector to guide their retrofit and investment planning.

While the review is underway, the current EESH2 2025 and 2032 milestones will be put on hold temporarily to ensure that any investment is targeted towards long-term solutions that deliver net zero and support the eradication of fuel poverty. The Association through, the use of PEAT, will continue to invest in energy efficiency measures to help reduce running costs, and in zero emissions heating systems where appropriate.

Principal Risks and Uncertainties

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

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

A review of the Risk Management and Internal Audit Strategy Policy was concluded in the year and approved in June 2021.

Paragon Housing Association Limited

**Report of the Management Committee (continued)
For the year ended 31 March 2022**

Key Risks have been identified in the following areas. For each of these a risk response and control actions have been formulated. On considering Covid 19 Risks, the Audit Committee recognised that the impact was related to existing risks and the register was updated to reflect the Covid 19 specific impact and report produced.

Risk	Response / Control Action
Impact of the benefits system and its impact on rent arrears & voids performance. This is exacerbated by Covid 19 Pandemic impact and subsequent cost of living pressures being experienced	<ul style="list-style-type: none"> - Specialist Tenancy Sustainment Officer in post & HoME project support - Liaise with DWP on universal credit matters - Ongoing monitoring and reporting on arrears and voids performance - PHA Route Map to service restoration - Business Plan sensitivity analysis
Achieving and maintaining investment to meet the Scottish Housing Quality Standard, Energy Efficiency Standard Social Housing 1 & 2 (Scotland) and any further standards. This is exacerbated by Covid 19. Pandemic impact as the programme of works has slowed due to lockdown measures.	<ul style="list-style-type: none"> - Business plan which sets out resources and targets to deliver both SHQS and EESSH 1 with EESSH 2 subject to the new Heat in Buildings Strategy (currently draft form) and changes planned to EPC measurements - Ongoing programme of investment in improvements such to achieve the standards - Use of PEAT - Support from Energy Action Scotland on energy efficiency measures - Ongoing monitoring and reporting of progress against plan - Discussion with lenders re covenant impact on any project delays - PHA Route Map to service restoration being developed - Business Plan sensitivity analysis
Pension liabilities	<ul style="list-style-type: none"> - Membership of EVH SHAPS Support Group to monitor developments - Specialist advice sought and working group set up
Ensuring compliance with regulatory standards	<ul style="list-style-type: none"> - Scrutiny by Sub Committees and Management Committee - Use of SFHA Toolkit for assessing assurance - Internal Audit
Risks associated with undertaking development	<ul style="list-style-type: none"> - Business plan which sets out resources

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Report of the Management Committee (continued) For the year ended 31 March 2022

activities	<p>to deliver development programme</p> <ul style="list-style-type: none">- Project approvals process in place- Development strategy in place which sets out clear approach- Working with experienced partners to deliver development services- Ongoing monitoring and reporting of progress
Cyber Security / fraud risks elevated due to more remote working & worldwide cyber insecurities	<ul style="list-style-type: none">• Cyber Essentials accreditation• Working towards Cyber Essentials Plus• 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

The actions taken have generally been effective in controlling the identified risks however there are areas of uncertainty due to direct Covid 19 Pandemic impact and the post pandemic factors now being experienced.

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

The IA programme for 2021/22 covered the following areas:

- Budgetary Control / Financial Modelling & Scenario Planning
- Fraud Prevention, Detection & Response
- Corporate Governance Review – report awaited
- IT Networks & Security – report awaited
- Gas Safety - this is carried out annually
- Follow up review

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

Pension

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

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

Paragon Housing Association Limited

Report of the Management Committee (continued) For the year ended 31 March 2022

The Management Committee received specialist pension advice on the final salary pension scheme and a working group is currently undertaking a further review of options and consultation with staff will follow.

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.

A Special General Meeting (SGM) of members in September 2021 approved the adoption of new rules to ensure that these comply with the 2020 SFHA Model Rules.

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.

The Management Committee continues to meet virtually. Flora Wallace remained in the role of Chair with office bearer support being ably provided by June Anderson BEM as Vice Chair. During the year two long standing Management Committee members, Susan Robertson and Michael Hesketh, stood down. Both had served as officers in the past and their contributions to the work of the Association are greatly appreciated.

The Association's was able to hold an in-person AGM in September 2021 and business was successfully concluded. The meeting gave members the opportunity to celebrate the award on the British Empire Medal to Vice Chair, June Anderson, for her tireless work in her local community.

Officers of the Association continued to be actively involved in the wider national housing movement with the Chair serving on the Executive Committee of Employers in Voluntary Housing as Treasurer and Malcolm Richards serves on the Board of the Tenants Information Service. Michael Hesketh, Vice Chair served on the Executive Committee of SHARE until his resignation from the Management Committee.

There was a change in the Management Team with Pamela Milne, Finance & Investment Manager leaving the Association to take up a chief officer post with another housing association. Her contribution was much appreciated, and she has been replaced on an interim basis by Margaret Thompson, pending recruitment of a permanent replacement.

In October 2019 Scottish Registered Social Landlord became the subject of the Freedom of Information (Scotland) Act 2002 (FOISA). A Scheme of Publications is in place and statistical reports are made in line with the requirements of the Act. RGDP undertakes the formal role of Data Protection Officer in line with the requirements of the Act.

Increased risks around cyber-crime activity are recognised and Cyber Essentials accreditation was obtained in May 2020 with Stage 2 Cyber Essentials Plus accreditation being worked towards. There has been investment in upgrading the IT infrastructure with during 2021/22. Cyber security is a standing item on the agenda of the Audit Committee and staff have taken part in a number of cyber security training sessions.

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 2021. The Association was deemed compliant by SHR in its published engagement plan for the period 2022/23.

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

Paragon Housing Association Limited

**Report of the Management Committee (continued)
For the year ended 31 March 2022**

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 stressed tested the impact of COVID-19 as part of the Business Planning process and has separately identified an additional assumption of 3% for voids and bad debts and £50k for exceptional COVID-19 related costs for 2021/22. With the cost of living crisis expected to affect tenants, an increased assumption of 5% for voids and bad debts has been budgeted for 2022/23. The Association has £13.2m cash at bank at 31 March 2022 (2021-£8.3m) and net current assets of £11.3m (2021-£7.1m). There are no material uncertainties in the Business Plan and all loan covenants are complied with for the duration of the plan.

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

Disclosure of Information to the Auditor

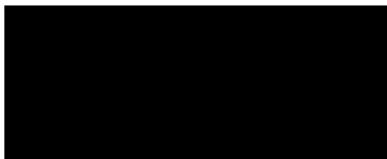
The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves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

Auditor

RSM UK Audit LLP were re-appointed auditors to the Association at the Annual General Meeting in September 2021.

By Order of the Management Committee

Chair



Date

Paragon Housing Association Limited

Statement of Management Committee's Responsibilities For the year ended 31 March 2022

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

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

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

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

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

Paragon Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2022

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.
- An internal auditor has been appointed in accordance with the requirements of Guidance Note 97/06. An audit plan was set and completed for the year. The results of the work confirm that the Association has satisfactory procedures for managing its finances.

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 2022. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee

Chair

Date:



Paragon Housing Association Limited

**Independent Auditor's Report to the Members of Paragon Housing Association Limited on
Internal Controls
For the year ended 31 March 2022**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 15 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 154 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 06/09/22

Opinion

We have audited the financial statements of Paragon Housing Association (the 'Association') for the year ended 31 March 2022 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 2022 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 14 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.

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2022**

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;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

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

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

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

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.


RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh EH3 8BL
Date: 06/09/22

Paragon Housing Association Limited**Statement of Comprehensive Income
For the year ended 31 March 2022**

	<i>Notes</i>	2022 £	2021 £
TURNOVER	2	6,397,555	6,332,662
Operating expenditure	2	(4,751,328)	(4,354,313)
OPERATING SURPLUS		1,646,227	1,978,349
Loss on disposal of housing properties	8	(20,553)	(16,952)
Interest receivable	6	2,148	5,239
Interest and financing costs	7	(601,565)	(597,662)
SURPLUS BEFORE TAX		1,026,257	1,368,974
Taxation		-	-
SURPLUS FOR THE YEAR		1,026,257	1,368,974
Actuarial gain/(loss) in respect of pensions scheme	22	463,000	(605,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,489,257	763,974

Paragon Housing Association Limited

**Statement of Financial Position
For the year ended 31 March 2022**

	Notes	2022 £	2021 £
FIXED ASSETS			
Intangible assets	12	7,308	6,927
Housing properties	10	28,939,530	28,943,117
Other fixed assets	11	483,721	505,158
		<u>29,430,559</u>	<u>29,455,202</u>
CURRENT ASSETS			
Trade and other debtors	13	462,770	548,511
Cash and cash equivalents		13,161,549	8,261,097
		<u>13,624,319</u>	<u>8,809,608</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	<u>(2,295,880)</u>	<u>(1,705,639)</u>
NET CURRENT ASSETS			
		<u>11,328,439</u>	<u>7,103,969</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>40,758,998</u>	<u>36,559,171</u>
Creditors: Amounts falling due after more than one year	15	(22,661,369)	(19,404,789)
Defined benefit pension obligation	22	<u>(50,000)</u>	<u>(596,000)</u>
TOTAL NET ASSETS			
		<u>18,047,629</u>	<u>16,558,382</u>
RESERVES			
Share Capital	18	130	140
Income and expenditure reserve		18,047,499	16,558,242
TOTAL RESERVES		<u>18,047,629</u>	<u>16,558,382</u>

The financial statements were approved by the Management Committee and authorised for issue on 14/8/22 and are signed on its behalf by:

Chair:
(Flora Wallace)

Vice Chair:
(June Anderson)

Secretary:
(Margaret Torrance)

Paragon Housing Association Limited

Statement of Changes in Reserves
For the year ended 31 March 2022

	Income and expenditure reserve £
Balance at 31 March 2020	15,794,268
Surplus for the year	1,368,974
<i>Other comprehensive income:</i>	
Actuarial losses in respect of pension scheme	(605,000)
Balance as at 31 March 2021	<u>16,558,242</u>
Surplus for the year	1,026,257
<i>Other comprehensive income:</i>	
Actuarial gains in respect of pension scheme	463,000
Balance at 31 March 2022	<u><u>18,047,499</u></u>

Paragon Housing Association Limited

**Statement of Cashflows
For the year ended 31 March 2022**

	<i>Notes</i>	2022 £	2021 £
Net cash generated from operating activities	19	2,843,332	2,465,258
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets – housing properties		(898,491)	(776,493)
Purchase of intangible assets and other tangible fixed assets		(19,170)	(53,896)
Grants received		105,000	150,000
Interest received		2,148	5,239
NET CASH USED IN INVESTING ACTIVITIES		<u>(810,513)</u>	<u>(675,150)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(608,775)	(611,941)
New secured loans		4,000,000	-
Repayments of borrowings		(523,594)	(523,594)
Issued share capital		2	2
NET CASH USED IN FINANCING ACTIVITIES		<u>2,867,633</u>	<u>(1,135,533)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>4,900,452</u>	<u>654,575</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>8,261,097</u>	<u>7,606,522</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>13,161,549</u>	<u>8,261,097</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 Covid 19 as part of the Business Planning process and has separately identified an additional assumption of 3% for voids and bad debts and £50k for exceptional Covid 19 related costs for 2021/22 and 2022/23. The Association has £13.1m cash at bank at 31 March 2022 (2021 £8.3m) and net current assets of £11.3m (2021 £7.1m). There are no material uncertainties in the Business Plan and all loan covenants are complied with for the duration of the plan.

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.

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

Paragon Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2022

Government grants received for housing properties are recognised in income over the useful

1. ACCOUNTING POLICIES (continued)

economic life of the structure of the asset (excluding land) under the accruals model.

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

OTHER INCOME

Interest income

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

INTANGIBLE ASSETS

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

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

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

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

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

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

DEPRECIATION OF HOUSING PROPERTIES

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

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

1. ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FIXED ASSETS

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

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

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

OTHER TANGIBLE FIXED ASSETS

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

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

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

APPORTIONMENT OF MANAGEMENT EXPENSES

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

TAXATION

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

VAT

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

DEPOSITS AND LIQUID RESOURCES

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

1. ACCOUNTING POLICIES (continued)

LEASES

Operating Leases

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

EMPLOYEE BENEFITS

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

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

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

SCOTTISH HOUSING ASSOCIATION PENSION SCHEME (SHAPS)

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

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

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

1. ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

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

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

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

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

Borrowings

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

Concessionary loans

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

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1. ACCOUNTING POLICIES (continued)

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

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 22). The net defined benefit pension liability at 31 March 2022 was £50,000.

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 2022

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

	Notes	Turnover £	Operating costs £	Gain or loss on disposals of fixed assets £	2022 Operating surplus/(deficit) £	2021 Operating surplus/(deficit) £
Affordable letting activities	3	6,329,861	(4,683,634)	-	1,646,227	1,978,349
Other activities	4	67,694	(67,694)	-	-	-
Loss on disposal of housing properties	8	-	-	(20,553)	(20,553)	(16,952)
Total		6,397,555	(4,751,328)	(20,553)	1,625,674	1,961,397
Total for previous reporting period		6,332,662	(4,354,313)	(16,952)	1,961,397	

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2022

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES	Supported		Total 2022 £	Total 2021 £
	General Needs Social Housing £	Social Housing Accommodation £		
Rent receivable net of service charges	6,161,854	81,871	6,243,725	6,169,125
Service charges	4,179	-	4,179	5,043
Gross income from rents and service charges	6,166,033		6,247,904	6,174,168
Less voids	(68,686)	(1,915)	(70,601)	(58,285)
Net income from rents and service charges	6,097,347	79,956	6,177,303	6,115,883
Grants released from deferred income	86,872	-	86,872	84,489
Revenue grants from Scottish Ministers	65,686	-	65,686	64,849
Other revenue grants	-	-	-	-
Total turnover from affordable letting activities	6,249,905	79,956	6,329,861	6,265,221
Management and maintenance administration costs	1,773,947	23,570	1,797,517	1,559,011
Service costs	-	-	-	-
Planned and cyclical maintenance including major repairs costs	924,624	3,082	927,706	898,463
Reactive maintenance costs	991,555	52,944	1,044,499	837,642
Bad debts - rents and service charges	32,387	-	32,387	128,873
Depreciation of affordable let properties	868,268	13,257	881,525	862,883
Operating Costs for affordable letting activities	4,590,781	92,853	4,683,634	4,286,872
Operating surplus for affordable letting activities	1,659,124	(12,897)	1,646,227	1,978,349
Operating surplus for affordable letting activities for previous reporting period	1,968,952	9,397	1,978,349	

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2022

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	-	-	-	58,672	58,672	-	(58,672)	-	-
Other sundry activities	-	-	-	-	-	-	-	-	-
Other activities – insurance and tenant recharges	-	-	-	9,022	9,022	-	(9,022)	-	-
Total from other activities	-	-	-	67,694	67,694	-	(67,694)	-	-
Total from other activities for the previous reporting period	-	-	-	67,441	67,441	-	(67,441)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2022

5.	ACCOMMODATION IN MANAGEMENT	2022	2021
		Units	Units
	General needs housing	1,414	1,412
	Supported housing	21	21
	TOTAL UNITS IN MANAGEMENT	1,435	1,433
6.	INTEREST RECEIVABLE AND SIMILAR INCOME	2022	2021
		£	£
	Interest on bank deposits	2,148	5,239
		2,148	5,239
7.	INTEREST PAYABLE AND SIMILAR CHARGES	2022	2021
		£	£
	Interest arising on:		
	Bank loans and overdrafts	608,775	611,941
	Adjustment to effective interest rate	(18,210)	(16,279)
	Defined benefit pension charge	11,000	2,000
		601,565	597,662
8.	OPERATING SURPLUS	2022	2021
		£	£
	Operating surplus is stated after charging:		
	Depreciation of housing properties (note 10)	881,525	862,883
	Depreciation of other tangible fixed assets (note 11)	36,191	37,199
	Amortisation of intangible assets (note 12)	4,035	7,158
	Deficit on disposal of tangible fixed assets	20,553	16,952
	Operating lease rentals	36,661	32,378
		36,661	32,378
	Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
		2022	2021
		£	£
	Audit services - Statutory audit of the Association	19,140	17,400
	Non audit services – Finance support	19,320	23,100
	Non audit services – Taxation advisory support	-	420
		-	420

9. EMPLOYEES

	2022 No.	2021 No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Administration	9	6
Housing management	15	14
Property and regeneration	4	3
	<u>28</u>	<u>23</u>

	2022 £	2021 £
Staff costs for the above persons:		
Wages and salaries	954,418	871,636
Social security costs	89,345	87,204
Other pension costs and current service cost (note 22)	251,531	249,283
Agency costs	100,452	50,324
	<u>1,395,746</u>	<u>1,258,447</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	0	1
£70,000 - £80,000	1	1

	2022 £	2021 £
Aggregate emoluments of key management personnel (excluding pension contributions)	<u>255,556</u>	<u>251,957</u>

The emoluments of the director (excluding pension contributions)	<u>75,978</u>	<u>75,375</u>
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Note	Aggregate pension contributions in relation to the director	<u>12,308</u>	<u>12,211</u>
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Total emoluments payable to the director	<u>88,286</u>	<u>87,586</u>
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No payment or fees or other remuneration was made to the Committee of Management members during the year (2021: £nil).

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting
Cost	
1 April 2021	38,128,249
Additions	172,662
Works to existing properties	725,829
Disposals	(187,295)
31 March 2022	<u>38,839,445</u>
Depreciation and impairment	
1 April 2021	(9,185,132)
Depreciation charged in year	(881,525)
Released on disposal	166,742
31 March 2022	<u>(9,899,915)</u>
Net book value	
31 March 2022	<u>28,939,530</u>
31 March 2021	<u>28,943,117</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2022	2021
	£	£
Improvement work capitalised:		
Replacement component spend capitalised	725,829	393,693
Amounts charged to income and expenditure	822,411	774,934
Total major repairs spend	<u>1,548,240</u>	<u>1,168,627</u>
	2022	2021
	£	£
Value of Land included in costs	<u>6,580,985</u>	<u>6,556,812</u>

11. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and fittings £	Total £
Cost			
1 April 2021	694,105	158,007	852,112
Additions	-	14,754	14,754
Disposals	-	-	-
31 March 2022	<u>694,105</u>	<u>172,761</u>	<u>866,866</u>
Depreciation and impairment			
1 April 2021	(221,077)	(125,877)	(346,954)
Depreciation charged in year	(13,882)	(22,309)	(36,191)
31 March 2022	<u>(234,959)</u>	<u>(148,186)</u>	<u>(383,145)</u>
Net book value			
31 March 2022	<u>459,146</u>	<u>24,575</u>	<u>483,721</u>
31 March 2021	<u>473,028</u>	<u>32,130</u>	<u>505,158</u>

12. INTANGIBLE ASSETS

	Software £
Cost	
1 April 2021	242,247
Additions	4,416
Disposals	-
31 March 2022	<u>246,663</u>
Amortisation	
1 April 2021	(235,320)
Charge for the year	(4,035)
31 March 2022	<u>(239,355)</u>
Net book value	
31 March 2022	<u>7,308</u>
31 March 2021	<u>6,927</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2022

13. DEBTORS

	2022 £	2021 £
Amounts falling due within one year:		
Rent and service charges receivable	305,016	334,631
Less: provision for bad and doubtful debts	<u>(193,442)</u>	<u>(191,975)</u>
	111,574	142,656
Other debtors	86,980	69,570
Prepayments and accrued income	<u>264,216</u>	<u>336,285</u>
	<u>462,770</u>	<u>548,511</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Debt (note 17)	691,332	508,974
Rent and service charges received in advance	378,126	397,725
Deferred capital grants (note 16)	86,872	84,489
Trade creditors	138,823	256,475
Other taxation and social security costs	25,038	22,430
Other creditors	279,834	280,291
Holiday pay accrual	28,713	32,594
Accruals and deferred income	<u>667,142</u>	<u>122,661</u>
	<u>2,295,880</u>	<u>1,705,639</u>

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

	2022 £	2021 £
Debt (note 17)	18,522,741	15,246,906
Deferred capital grant (note 16)	<u>4,138,628</u>	<u>4,157,883</u>
	<u>22,661,369</u>	<u>19,404,789</u>

16. DEFERRED CAPITAL GRANT

	2022 £	2021 £
As at 1 April 2021	4,242,372	4,151,861
Grant received in the year	70,000	175,000
Capital grant released	<u>(86,872)</u>	<u>(84,489)</u>
As at 31 March 2022	4,225,500	4,242,372
Amounts to be released within one year	86,872	84,489
Amounts to be released in more than one year	<u>4,138,628</u>	<u>4,157,883</u>
	<u>4,225,500</u>	<u>4,242,372</u>

17. DEBT ANALYSIS – BORROWINGS

	2022 £	2021 £
Creditors: amounts falling due within one year:		
Bank loans	691,332	508,974
	<u>691,332</u>	<u>508,974</u>
Creditors: amounts falling due after more than one year:		
Bank loans	18,522,741	15,246,906
Total	<u>19,214,073</u>	<u>15,755,880</u>

Bank borrowings of £18,189,460 (2021: £14,447,671) are secured against the Association's housing properties. The fixed rate for the bond is 5.193% and the RBS loan rate is LIBOR + 1.55% margin. On 31 March 2022 the Association drew down an additional £4,000,000 as part of its facility with RBS. Interest is charged on this amount in line with SONIA. 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 £1,024,613 (2021: £1,308,209) with £283,594 payable in less than one year (2021: £283,594) and £741,019 payable in more than one year (2021: £1,024,615).

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

	2022 £	2021 £
Due within one year	691,332	508,974
Due in one year or more but less than two years	691,883	509,514
Due between two and five years	8,086,432	4,875,735
Due more than five years	9,744,426	9,861,657
	<u>19,214,073</u>	<u>15,755,880</u>

18. SHARE CAPITAL

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

	2022 £	2021 £
Number of members		
1 April 2021	140	162
Joined during the year	2	2
Left during year	(12)	(24)
31 March 2022	<u>130</u>	<u>140</u>

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

	2022 £	2021 £
Surplus for the year	1,489,257	763,974
Adjustments for non-cash items:		
Depreciation of fixed assets / amortisation of intangible assets	921,751	907,240
Amortisation of deferred capital grant	(86,871)	(84,489)
Movement in Defined Benefit Pension Liability	(546,000)	457,000
Loss/(Gain) on disposal of tangible fixed assets	20,553	16,952
Loss on disposal of intangible and other fixed assets	-	-
Interest receivable	(2,148)	(5,239)
Interest payable	590,565	597,662
Cancelled shares	(12)	(24)
Operating cash flows before movements in working capital	<u>2,387,095</u>	<u>2,653,076</u>
Decrease/(increase) in trade and other debtors	50,741	34,809
(Decrease)/increase in trade and other creditors	405,496	(222,627)
Cash generated from / (used in) operations	<u>2,843,332</u>	<u>2,465,258</u>

CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Cash and cash equivalents represent:-		
Cash at bank and in hand	<u>13,161,549</u>	<u>8,261,097</u>

Net debt reconciliation

	At April 2021 £	Cash flow £	Non-cash movements £	At 31 March 2022 £
Cash at bank and in hand	8,261,097	4,900,452	-	13,161,549
Debt: due within one year	(508,974)	341,776	(524,134)	(691,332)
Debt: due after one year	(15,246,906)	(3,818,182)	542,344	(18,522,741)
	<u>(7,494,783)</u>	<u>1,424,046</u>	<u>18,210</u>	<u>(6,052,527)</u>

20. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2022 £	2021 £
Expenditure authorised by the board which is contracted for	<u>900,456</u>	<u>1,379,315</u>

The capital commitments will be financed through existing cash reserves.

21. COMMITMENTS UNDER OPERATING LEASES

	2022	2021
	£	£
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Amounts due:		
Within one year	33,659	32,866
Between one and five years	12,766	5,849
	<u>46,425</u>	<u>38,715</u>

22. RETIREMENT BENEFITS

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

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

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

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

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

For the year ended 31 March 2022, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2018 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2022 by a qualified independent actuary.

22. RETIREMENT BENEFITS (continued)

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

	31 March 2022 £'000	31 March 2021 £'000
Fair value of plan assets	6,238	5,609
Present value of defined benefit obligation	6,288	6,205
Surplus/(deficit) in plan	(50)	(596)
Unrecognised surplus	-	-
Defined benefit asset/(liability) to be recognised	(50)	(596)
Deferred tax	-	-
Net defined benefit asset/(liability) to be recognised	(50)	(596)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2022 £'000	31 March 2021 £'000
Defined benefit obligation at 1 April 2021	6,205	5,207
Current service cost	130	75
Expenses	5	5
Interest expense	134	125
Contributions by plan participants	73	77
Actuarial losses/(gains) due to scheme experience	332	(186)
Actuarial losses/(gains) due to changes in demographic assumptions	20	-
Actuarial losses/(gains) due to changes in financial assumptions	(502)	1,020
Benefits paid and expenses	(109)	(118)
Defined benefit obligation at 31 March 2022	6,288	6,205

22. RETIREMENT BENEFITS (continued)

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

	31 March 2022	31 March 2021
	£'000	£'000
Fair value of plan assets at 1 April 2021	5,609	5,070
Interest income	123	123
Experience on plan assets (excluding amounts included in interest income) - gain	313	229
Contributions by the employer	229	228
Contributions by plan participants	73	77
Benefits paid and expenses	(109)	(118)
	<u>6,238</u>	<u>5,609</u>
Fair value of plan assets at 31 March 2022	<u>6,238</u>	<u>5,609</u>

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

	Period from 1 April 2021 to 31 March 2022	Period from 1 April 2020 to 31 March 2021
	£'000	£'000
Current service cost	130	75
Expenses	5	5
Net interest expense	11	2
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	<u>146</u>	<u>82</u>

Defined Benefit Costs Recognised in Other Comprehensive Income

	Period ended 31 March 2022	Period ended 31 March 2021
	£000	£000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	313	229
Experience gains and losses arising on the plan liabilities – gain/(loss)	(332)	186
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(20)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	502	(1,020)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	<u>463</u>	<u>(605)</u>
Total amount recognised in other comprehensive income – gain/(loss)	<u>463</u>	<u>(605)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2022

22. RETIREMENT BENEFITS (continued)

Assets	31 March 2022 £'000	31 March 2021 £'000
Global Equity	1,233	868
Absolute Return	286	276
Distressed Opportunities	224	192
Credit Relative Value	200	162
Alternative Risk Premia	258	225
Emerging Markets Debt	232	226
Risk Sharing	203	200
Insurance-Linked Securities	131	117
Property	162	101
Infrastructure	389	313
Private Debt	157	132
Opportunistic Illiquid Credit	207	144
High Yield	61	147
Opportunistic Credit	22	153
Cash	17	2
Corporate Bond Fund	394	423
Liquid Credit	40	97
Long Lease Property	180	130
Secured Income	333	308
Over 15 Year Gilts	3	3
Liability Driven Investment	1,509	1,348
Currency Hedging	(23)	-
Net Current Assets	20	42
Total assets	6,238	5,609

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 2022 % per annum	31 March 2021 % per annum
Discount Rate	2.79	2.15
Inflation (RPI)	3.62	3.29
Inflation (CPI)	3.21	2.86
Salary Growth	4.21	3.86
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

Life expectancy at age 65 (Years)	2022	Life expectancy at age 65 (Years)	2021
Male retiring in 2022	21.6	Male retiring in 2021	21.5
Female retiring in 2022	23.9	Female retiring in 2021	23.4
Male retiring in 2042	22.9	Male retiring in 2041	22.8
Female retiring in 2042	25.4	Female retiring in 2041	25.0

23. RELATED PARTY TRANSACTIONS

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

Elizabeth McNie
Flora Wallace
Michael Hesketh
Malcolm Richards

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £15,354 (2021: £17,529) of rent was receivable from these tenant members and their close family members. At the year-end there were £338 (2021: £269) of rent arrears due from these tenant members and their close family members.

Flora Wallace is an Executive Committee Member and Treasurer of EVH. During the year the Association spent £11,870 (2021: £4,743) on training and services from EVH.

Michael Hesketh is a SHARE Executive Committee Member. He stepped down as a member of the Management Committee at the AGM on 15th September 2021. During this period the Association spent £7,154 (2021: £12,422) on training from SHARE.

Malcolm Richards is a board member of TIS. During the year the Association spent £416 (2021: £438) on training and services from TIS.

24. CONTINGENT LIABILITIES

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2021.

As of this date the estimated employer debt for Paragon Housing Association was £2,705,429.

The Association has been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over recent years. The Trustee has been advised to seek clarification from the Court on potential changes to the pension liability. This process is ongoing and the Association understands that the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until the outcome of the Court process is known, it is not possible to calculate the impact on the liabilities of this issue, particularly on an individual employer basis, with any accuracy for the purposes of the 31 March 2022 financial statements. Accordingly no adjustment has been made in these financial statements in respect of this potential issue.

