ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2021

Dumfries and Galloway Housing Partnership Limited
(A Charitable Company Limited by Guarantee)

(Company No. SC220297)
(Scottish Housing Regulator Registration No.315)
(Scottish Charity No. SC039896)

STRATEGIC REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2021.

Principal activities
The principal activity of Dumfries and Galloway Housing Partnership Limited ("DGHP", "Dumfries and Galloway" or "the Partnership") is the provision and management of affordable rented accommodation. DGHP has a significant role in many of the towns and villages in Dumfries and Galloway, owning and maintaining around 10,300 homes in Scotland's third largest region covering some 2,380 square miles.

DGHP has two wholly owned subsidiary companies. Novantie Limited provides commercial and mid-market rented properties. DGHP 3 Limited acts as development agent for the DGHP group. These consolidated financial statements include the results of DGHP and its wholly owned subsidiaries.

OPERATING REVIEW

The year will be remembered as an extraordinary and exceptionally difficult one, with unprecedented circumstances affecting the business, our staff, and most importantly, our customers.

The pandemic left many DGHP customers facing severe financial hardship, and while the safety of our staff and customers remained our absolute top priority throughout the year, our focus was on providing rapid support to customers when they needed us most.

We opened the year with a new service model already in place, with housing staff and customer service advisors working from home. Repairs and maintenance services were limited to emergency and essential repairs, along with gas safety checks and servicing.

Capital investment critical in terms of health and safety, including the installation of smoke and heat detectors, continued throughout the year, as did external capital work. Non-essential internal investment work was suspended.

As an agile, flexible organisation, DGHP responded quickly and decisively to changes in government guidance over the year.

When lockdown restrictions were temporarily eased, we increased the range of services we could carry out, such as stair-cleaning and a wider range of repairs but reverted back to emergency and essential services as restrictions tightened again. Our new-build programme, suspended at the start of the year, resumed in June.

At all times we did everything possible to protect both customers and staff through strict adherence to health-and-safety practices and the use of the appropriate Personal Protective Equipment ("PPE").

Wheatley Foundation's emergency food service *EatWell* and *Emergency Response Fund* were at the forefront of the Group's customer support package, particularly during the first six months of the year. Eat Well supported 2,733 DGHP households with food packs or vouchers in 2020/21.

The *Emergency Response Fund,* set up to alleviate hardship and isolation during the pandemic, helped 1,794 DGHP customers with one-off essential purchases, ranging from fridges and mobile phone-top ups to family activity packs.

STRATEGIC REPORT (continued)

OPERATING REVIEW (continued)

Throughout the year, housing officers working from home made thousands of welfare calls to ensure those in crisis got immediate help. Welfare benefits advice was particularly significant during this period.

Our first full year as part of Wheatley Group allowed us to make significant improvements to our service, including doubling the number of our housing officers and the introduction of a new 24/7 Customer Service Centre.

We also completed the TUPE transfer of staff from Morgan Sindall to our in-house repairs team and developed a new dynamic scheduling system, as well as a new supply chain, to improve our repairs service.

Despite the unparalleled circumstances and restrictions on our activities this year, we built 12 new homes over the year and invested £11.0m in planned improvements to our homes and communities.

The effects of the pandemic will be with us for years to come, but our strong position as part of Wheatley Group, our Think Yes culture and our track record in rapidly developing new and enhanced services to support our customers means we can be confident in facing future challenges.

Here are some of the highlights of the year:

Building new homes

We completed 12 new affordable homes for social rent at Queensberry Square, Sanquhar.

We also started work on 32 new homes at Lincluden Depot, Dumfries, and five at St Medan's, Monrieth. Plans were also approved for the development of 18 homes at Gillwood Road, Eastriggs and a further 19 homes at Nursery Avenue in Stranraer.

Investing in our homes

Despite the restrictions caused by the pandemic this year, we delivered £11.0m of planned improvements in our homes and communities.

This included:
- £1.8m on external wall insulation for 109 homes in Dumfries and Sanquhar;
- £1.1m on external fabric and roofs;
- £0.4m on new windows and doors in Dunfries and Stranraer;
- £0.4m on upgraded heating systems;
- £0.4m on new kitchens;
- £1.0m on new smoke and heat detectors for 4,100 homes across the region; and
- £640k on environmental improvements.

We also rebuilt a sea wall in Port William.

Improving our neighbourhoods

Despite the restrictions, we continued our work to create clean and safe neighbourhoods people are proud to live in.

STRATEGIC REPORT (continued)

OPERATING REVIEW (continued)

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with DGHP communities to tackle anti-social behaviour, crime and fire safety.

While Covid restrictions meant home fire safety visits were suspended over the year, we continued to support customers over the phone and online and delivered pioneering products such as fire-retardant bedding and air fryers to 150 customers across Wheatley communities.

We also carried out 73 Fire Safety Risk Assessments in Wheatley homes to help protect customers from the risk of fire. Over the year, the total number of accidental fires in Wheatley homes fell by 17%.

Letting homes

While our allocations were suspended in the early part of the year, we resumed letting in August and allocated homes to those in priority need, mainly homeless households. Over the year, DGHP allocated 398 homes to homeless people. We also 'flipped' 21 temporary furnished homes, turning them into permanent homes for the homeless people living in them.

We recognised the challenge all local authorities faced in fulfilling their statutory duty to the homeless, as well as the greater risk the Coronavirus posed to homeless people.

Our repairs service

DGHP completed the TUPE transfer of 93 staff from Morgan Sindall to our in-house repairs team at the beginning of the financial year.

We also developed a new dynamic scheduling system, allowing us to offer appointments that best suit the customer while dovetailing with the resources available on that day. A new supply chain which automatically orders stock, and a new kerbside collection system, means every repairs operative has what they need for the job at the right time, improving the speed and efficiency of our repairs service.

At the start of the 2020/21 financial year, our repairs and maintenance service was restricted to emergency and essential services only. Throughout the year, our overriding priority was the safety of our staff and customers. As lockdown restrictions were temporarily eased, we were able to increase the range of essential repairs we could carry out but reverted back to emergency and essential services as restrictions tightened again.

Despite the challenges of strict health and safety guidelines, new processes to keep people safe, as well as restrictions on travel, we still managed to deliver more than 26,700 reactive repairs over the year.

STRATEGIC REPORT (continued)

OPERATING REVIEW (continued)

Supporting our customers

Almost a third (32%) of DGHP customers are now on Universal Credit ("UC"), an increase of 7% from last year.

We continued to support our customers through the challenges they faced during the pandemic, including attending online tribunals with the Department of Work and Pensions to represent vulnerable customers.

We will continue to support our customers over the next year with the difficulties posed by UC and the impact of the pandemic; helping customers to get online and to encourage them to engage with us through our digital channels and online self-service accounts.

More than 1,000 customers signed up to the self-service portal on the DGHP website over the year, up from 157 the year before. Our combined followers on social media channels Facebook and Twitter stood at more than 6,360, up from 5,660 the previous year.

Working with Wheatley Foundation and Wheatley 360, we:

- put food on the table in 2733 homes through our *EatWell* service;
- delivered Christmas vouchers to 1,750 households;
- provided essential household items to 1,794 customers through our *Emergency Response Fund*;
- awarded 14 young people from our homes a bursary to go to university or college; and
- provided free books every month to 31 children under five in our homes through the Dolly Parton Imagination Library initiative.

Independent Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW

Income

The DGHP Group's turnover for the year ended 31 March 2021 totalled £48.7m (2020: £48.5m). The main source of income for the Group is the provision of social rental of housing property with net rental income of £43.6m (2020: £43.0m).

Grant income attributable to social letting activities reported through the Statement of Comprehensive Income was £3.5m (2020: £1.5m), with the increase in the year due to the recognition of New Build Grant on the completion of 12 new build properties in Sanquhar. Grants received towards the development of new build housing are recognised on the completion of the properties in line with the performance method required by FRS 102.

There was no income in the year (2020: £2.0m) for new supply shared equity property sales. The programme completed in 2019/20 with the disposal of the final 13 properties. The remainder included:

- £0.6m of investment property income from the letting of mid-market homes and commercial shop units (2020: £0.6m);
- £0.5m of income for grants towards environmental works (2020: £0.4m); and
- £0.1m of income in relation to factoring of homeowners' properties (2020; £0.5m)

Expenditure

Operating costs of the DGHP Group in the year totalled £33.2m (2020: £42.8m), with the reduction attributable to an additional charge of £5.6m for depreciation in the prior year, due to a change in the estimate of useful lives of certain fixed assets component categories, and lower repairs and maintenance costs due to Covid-19 restrictions limiting the delivery of the full service. In other activities, no costs were reported in the year for the new supply shared equity programme following the completion of the programme in 2019/20 as noted above (2020: £2.2m).

The main items of other expenditure were:

- Management and maintenance administration costs associated with affordable letting activities totalling £10.6m (2020: £12.1m). Since joining the Wheatley Group, DGHP has been able to access efficiencies from the group structure.
- £6.2m of reactive maintenance costs to our social letting properties (2020: £4.7m).
- £2.8m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2020: £6.1m).
- Depreciation expenditure, for social and non-social housing assets of £9.9m (2020: £15.3m). As stated above, the prior year included a one-off additional charge for the change in the estimate of useful lives for certain categories of asset.

The DGHP Group generated an operating surplus of £18.6m (2020: £6.0m) after a £3.1m gain on investment properties (2020: £0.3m gain), relating to the valuation of mid-market rent and commercial units.

Other expenditure in the year includes finance charges of £6.1m (2020: £12.6m). Prior year costs included a one off charge of £6.3m for the termination of interest rate hedges on re-financing of the DGHP Group's loan portfolio and interest costs of £6.3m.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Total comprehensive income for the year of £45.0m (2020: expenditure of £4.8m) includes an increase in valuation of social housing properties of £32.5m (2020: decrease of £0.1m) and an actuarial gain of £0.1m (2020: £1.6m) in respect of the Dumfries and Galloway Pension Fund.

Cashflows
The cash flow statement of the DGHP Group is shown on page 23. DGHP Group generated £26.1m from operating activities (2020: £25.2m). At 31 March 2021, cash and cash equivalents were £70.2m; an increase of £5.2m in the year. This is after the investment of £11.0m in existing social housing properties and a further £7.9m in new build development after the receipt of £4.5m of grant income to support the development programme. No new borrowings were drawn in the year following the re-financing in December 2019. The cash balance provides a source of liquidity during the Covid-19 pandemic and is being held to fund the investment programme in 2021/22.

Rental debtors
At the statement of financial position date, the DGHP Group had rent arrears of £2.7m offset by bad debt provisions of £1.1m (2020: £3.0m and £1.4m respectively).

Liquidity
The DGHP Group's net current assets at 31 March 2021 totalled £60.3m, an increase of £3.0m in the year. Loan arrangements are in place which provide sufficient capacity along with £70.4m cash balances at the year end to allow the DGHP Group to meet liabilities as they fall due and enable further investment in existing stock and the new build programme.

Capital structure and treasury
The DGHP Group's activities are funded on the basis of a Business Plan which is updated annually. Long-term funding is provided through access to facilities with M&G, The Housing Finance Corporation, Allia, and The Royal Bank of Scotland as detailed in note 20.

Investment in tenants' homes
During the year we invested £11.0m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £406.9m (2020: £365.8m).

New Build
During the financial year we completed 12 new properties at our Sanquhar development and commenced work on a further 37 new build properties for social rent across two developments at Monreith and Lincluden. Our new build programme invested £7.9m in the year. The Business Plan includes a further projected spend of £88m on the new build programme over the next five years.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Reserves policy
Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Company may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve
Revenue reserve includes historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Company's Statement of Financial Position. The Company has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Company's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Company's charitable purpose.

The residual amount of revenue reserves, not represented by grant, may be invested by the Company in line with its 30-year business plan financial projections. Such investment is subject to the Company maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Company's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply, as well as the impact of sensitivity analysis and other risk factors which may apply.

Revaluation reserve
The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Company's property. This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Company's core charitable purpose.

Principal risks facing the Company
The Board are responsible for assessing the risks facing the DGHP Group. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Wheatley Group and can be seen in the consolidated financial statements of the Wheatley Group.

By order of the Board

Maureen Dowden

Maureen Dowden, Chair
26 August 2021

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

DIRECTORS' REPORT

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

Directors and Directors' interests

The Directors of the Company who held office during the year and up to the signing of the financial statements were:

Name	Appointed	Resigned
Maureen Dowden (chair)	28 March 2018	-
William Robertson *	26 September 2013	-
Michael Greaves-Mackintosh*	28 September 2017	-
Heather Macnaughton	28 March 2018	-
John Henderson	27 September 2018	-
George Thorley	20 February 2019	1 April 2021
Irene Clark	20 February 2019	-
Fiona Burden	23 March 2020	-
John McCraw*	17 September 2019	-

* tenant of the Company

No directors who held office during the year held any disclosable interest in the shares of the company.

The Directors are also trustees of the charity and are appointed by the members of the Company at its Annual General Meeting. DGHP's subsidiaries, Novantie and DHGP 3, are governed by separate Boards, although certain Directors participate in both Boards. A full list of Directors for both subsidiaries is available in the respective annual financial statements.

Creditor payment policy

DGHP Group agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant information of which the Company's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (Continued)

Board's Statement on Section 172 of the Companies Act 2006

The Directors act in a way they consider, in good faith, would be most likely to promote the success of the Company and the Group for the benefit of its members as a whole. Key decisions and matters of strategic importance are considered and informed by the requirements of section 172. This Strategic Report sets out how we delivered activity on behalf of our stakeholders in line with our strategy during the year.

The DGHP Group exists for the benefit of its key stakeholders - the customers we serve in our communities. The interests of our stakeholders are understood through an open and transparent dialogue conducted through many varied channels, such as:

- Feedback obtained through the annual tenant satisfaction survey carried out by an independent company;
- Tenants are represented on the Board;
- Formal consultation with tenants on rent increase proposals;
- We operate local engagement structures;
- Social media and online engagement;
- Publication of regular tenant newsletters and annual report to tenants; and
- The establishment of the Tenant Scrutiny Panel to review performance of the organisation under the Scottish Housing Charter.

The DGHP Group employees are key to delivering the objectives of the organisation, represent the business externally and maintain the reputation of the DGHP Group with our stakeholders. The DGHP Group operates a policy of providing employees with information about its activities and plans through formal recognition of a number of trade unions as well as internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Employees are encouraged to participate in regular discussions with their line managers as part of the Group's commitment to ensuring all staff are aware of their role in achieving the DGHP Group's aims and objectives. Regular meetings are also held between management and employees to allow a free flow of information and ideas.

In setting the strategy and through the preparation of the 30 year business plan, the Directors consider the likely consequences of decisions in the long term and ensure that the business continues to be financially viable and is able to meet all current and future financial commitments to its lenders.

The impact the DGHP Group has on its neighbourhood and the environment is a key element in its purpose. More details of the DGHP Group's aims as part of the wider Wheatley Housing Group are set out in the Wheatley Group's Statement on Environmental, Social and Governance.

DIRECTORS' REPORT (Continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the Company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the group and parent charitable company financial statements in accordance with applicable law and regulations.

Company and charity law requires the directors to prepare financial statements for each financial year. Under that law they have are required to prepare the group and parent charitable company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent charitable company and of the group's income and expenditure for that period. In preparing each of the group and parent charitable company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the parent charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the parent charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019 . They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By order of the Board

Maureen Dowden

Maureen Dowden, Chair
26 August 2021

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED

Opinion

We have audited the financial statements of Dumfries and Galloway Housing Partnership Limited ("the charitable company") for the year ended 31st March 2021 which comprise the Statement of Comprehensive Income - Group, Statement of Comprehensive Income - Company, Statement of Changes in Reserves – Group, Statement of Changes in Reserves – Company, Statement of Financial Position-Group, Statement of Financial Position – Company, Statement of Cash Flows – Group, Statement of Cash Flows - Company and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charitable company's affairs as at 31st March 2021 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the charitable company or to cease their operations, and as they have concluded that the group and the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and charitable company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the charitable company's ability to continue as a going concern for the going concern period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the charitable company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board members and management as to the charitable company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual suspected or alleged fraud; and

- Reading Board minutes.

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the company wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to nom-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discuss with the board and other management (as required by auditing standards), and discussed with the board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the charitable company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, charities legislation and registered social landlord legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the charitable company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures n the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of charities, health and safety, employment law, and social housing legislation recognising the charitable company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence of any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the Annual Report, Strategic Report and Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Annual Report, which constitutes the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 12 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company'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 they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charitable company's trustees 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 charitable company, its members as a body and its trustees, as a body, for our audit work, for this report or for the opinions we have formed.

Michael Wilkie

Michael Wilkie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

319 St Vincent Street

Glasgow

G2 5AS

23 September 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021 - GROUP

	Notes	Total 2021 £'000	Total 2020 £'000
Turnover	3	48,692	48,495
Operating expenditure	3	(33,187)	(42,793)
Other gains and losses	16	3,064	319
Operating surplus		18,569	6,021
Finance income	9	138	364
Finance charges	10	(6,125)	(12,587)
Increase/(decrease) in valuation of office property	15	7	(56)
Surplus/(deficit) before tax		12,589	(6,258)
Taxation	11	(17)	25
Surplus/(deficit) after tax		12,572	(6,233)
Unrealised surplus/(deficit) on revaluation of housing properties		32,301	(104)
Actuarial gain in respect of pension schemes		120	1,554
Total comprehensive result for the year		44,993	(4,783)

All amounts relate to continuing operations.

The notes on pages 25 to 57 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021 – COMPANY

	Note	**2021 £'000**	**2020 £'000**
Turnover	3	48,629	48,576
Operating expenditure	3	(33,194)	(42,815)
Other gains and losses	16	2,974	355
Operating surplus		18,409	6,116
Finance income	9	138	361
Finance charges	10	(6,125)	(12,587)
Increase/(decrease) in valuation of office property	15	7	(56)
Surplus/(deficit) for the year		12,429	(6,166)
Unrealised surplus/(deficit) on revaluation of housing properties		32,176	(104)
Actuarial gain in respect of pension schemes		120	1,554
Total comprehensive result for the year		44,725	(4,716)

All amounts relate to continuing operations.

The notes on pages 25 to 57 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021 - GROUP

	Revenue Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2019	82,251	154,893	237,144
Total comprehensive expenditure for the year	(4,783)	-	(4,783)
Transfer of reserves for the revaluation of housing properties	104	(104)	-
Balance at 31 March 2020	77,572	154,789	232,361
Total comprehensive income for the year	44,993	-	44,993
Transfer of reserves for the revaluation of housing properties	(32,301)	32,301	-
Gift aid payment	(80)	-	(80)
Balance at 31 March 2021	90,184	187,090	277,274

All amounts relate to continuing operations.

The notes on pages 25 to 57 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021 - COMPANY

	Revenue Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2019	81,860	153,762	235,622
Total comprehensive expenditure for the year	(4,716)	-	(4,716)
Transfer of reserves for the revaluation of housing properties	104	(104)	-
Balance at 31 March 2020	77,248	153,658	230,906
Total comprehensive income for the year	44,725	-	44,725
Transfer of reserves for the revaluation of housing properties	(32,176)	32,176	-
Balance at 31 March 2021	89,797	185,834	275,631

All amounts relate to continuing operations.

The notes on pages 25 to 57 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021 – GROUP

	Notes	**2021 £'000**	**2020 £'000**
Fixed assets			
Social housing properties	14	406,871	365,783
Other tangible fixed assets	15	854	724
Investment properties	16	11,599	8,501
		419,324	375,008
Current assets			
Stock	17	1,414	272
Trade and other debtors	18	2,999	4,357
Cash and cash equivalents		70,443	65,002
		74,856	69,631
Creditors: amounts falling due within one year	19	(14,545)	(12,338)
Net current assets		60,311	57,293
Total assets less current liabilities		479,635	432,301
Creditors: amounts falling due after more than one year	20	(198,544)	(197,079)
Provisions for liabilities			
Pension liability	21	(3,325)	(2,765)
Other provisions	22	(492)	(96)
Total net assets		277,274	232,361
Reserves			
Share capital		-	-
Revenue reserve including pension reserve		90,184	77,572
Revaluation reserve		187,090	154,789
Total reserves		277,274	232,361

These financial statements were approved by the Board on 18 August 2021 and were signed on its behalf on 26 August 2021 by:

Maureen Dowden

Maureen Dowden
Chair
Company Registration Number SC220297
The notes on pages 25 to 57 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021 - COMPANY

	Notes	2021 £'000	2020 £'000
Fixed assets			
Social housing properties	14	407,072	365,783
Other tangible fixed assets	15	847	717
Investment properties	16	11,010	8,002
		418,929	374,502
Current assets			
Stock	17	1,414	255
Trade and other debtors	18	3,272	4,568
Cash and cash equivalents		70,022	63,756
		74,708	68,579
Creditors: amounts falling due within one year	19	(15,758)	(12,331)
Net current assets		58,950	56,248
Total assets less current liabilities		477,879	430,750
Creditors: amounts falling due after more than one year	20	(198,544)	(197,079)
Provisions for liabilities			
Pension liability	21	(3,325)	(2,765)
Other provisions	22	(379)	-
Total net assets		275,631	230,906
Reserves			
Share capital		-	-
Revenue reserve including pension reserve		89,797	77,248
Revaluation reserve		185,834	153,658
Total reserves		275,631	230,906

These financial statements were approved by the Board on 18 August 2021 and were signed on its behalf on 26 August 2021 by:

Maureen Dowden

Maureen Dowden
Chair
Company Registration Number SC220297
The notes on pages 25 to 57 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021 - GROUP

	Notes	**2021 £'000**	**2020 £'000**
Net cash generated from operating activities	24	26,081	25,161
Cash flow from investing activities			
Improvement of properties	14	(10,988)	(25,263)
Gift aid paid		(80)	-
Construction of new properties	14	(7,880)	-
Investment property additions		(34)	(52)
Purchase of other fixed assets	15	(472)	(402)
Grants received		4,505	272
Finance income		138	364
		(14,811)	(25,081)
Cash flow from financing activities			
Finance charges		(6,051)	(14,029)
Financing repayment		-	(110,000)
Financing drawdown		-	134,000
		(6,051)	9,971
Net change in cash and cash equivalents 5342		5,219	10,051
Cash and cash equivalents at 1 April		65,002	54,951
Cash and cash equivalents at 31 March		70,221	65,002
Cash and cash equivalents comprises:			
Cash at bank		70,443	65,002
Overdraft repayable on demand		(222)	-
		70,221	65,002

The notes on pages 25 to 57 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021 - COMPANY

	Notes	**2021 £'000**	**2020 £'000**
Net cash generated from operating activities	24	27,372	25,314
Cash flow from investing activities			
Improvement of properties	14	(10,988)	(25,263)
Construction of new properties	14	(8,206)	-
Investment properties additions		(34)	(52)
Purchase of other fixed assets	15	(470)	(402)
Grants received		4,505	272
Finance income		138	361
		(15,055)	(25,084)
Cash flow from financing activities			
Finance charges		(6,051)	(14,028)
Financing repayment		-	(110,000)
Financing draw down		-	134,000
		(6,050)	9,972
Net change in cash and cash equivalents		6,266	10,202
Cash and cash equivalents at 1 April		63,756	53,554
Cash and cash equivalents at 31 March		70,022	63,756

The notes on pages 25 to 57 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Legal status

Dumfries and Galloway Housing Partnership Limited ("DGHP" or "the Company") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Company is limited by guarantee and registered under the Companies Act, is a registered Scottish Charity No.SC039896 and DGHP is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principal activity of the Group is the provision of social housing and associated housing management services.

The Company and its subsidiaries Novantie Limited ("Novantie") and DGHP 3 Limited ("DGHP 3") are referred to as the "DGHP Group". The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

Dumfries and Galloway Housing Partnership Limited is a public benefit entity.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements to all periods presented in these financial statements.

Basis of preparation
The financial statements of DGHP Group and the Company are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2019, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The DGHP Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan which included updated scenarios in recognition of the ongoing Covid-19 pandemic including severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the DGHP Group and Company budgets for 2021/22 and the DGHP Group's financial position as forecast in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the DGHP Group and Company have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios updated to take account of potential future changes in rent increases;
- The property market – budget and business plan scenarios have taken account of delays. Remobilisation planning and reprofiled new build handovers;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of a revised profile of repairs and maintenance expenditure, with major works being phased into future years;
- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;
- Liquidity – current available cash of £70.0m and unutilised loan facilities of £35.0m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the DGHP Group and Company have sufficient funding in place and expect the DGHP Group and Company to be in compliance with its debt covenants even in severe but plausible downside scenarios. Covid-19 has delayed the planned capital investment and new build activity and this will now take place over a longer period than was originally forecast when funding was arranged in December 2019. Revised covenants which reflect the change to the timing of the investment profile have been agreed with one of our lenders.

Consequently, the Board is confident that the DGHP Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

Accounting judgements and estimations
Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing properties,
- Component accounting and the assessment of useful lives.
- The assessment of the fair value of financial instruments;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

- Determining the value of the DGHP Group'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.
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

Basis of Consolidation
The DGHP Group Financial Statements incorporate the financial statements of the Group's parent Dumfries and Galloway Housing Partnership Limited and its subsidiaries, Novantie Limited and DGHP3 Limited. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

Related party disclosures
The Company is a wholly owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Company and Group have taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover
Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income. Turnover is recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliability. Income received in advance is treated as deferred income.

Grant income
Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grants are held as deferred income on the statement of financial position. The DGHP Group has received grant income under the UK Government's Coronavirus Job Retention Scheme and this is accounted for as revenue grant in line with the performance model and disclosed in note 4 to the financial statements.

Bad and doubtful debts
Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing
Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

Financial Instruments
Loans are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost.

In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources
Cash, for the purpose of the cash flow statement, 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 values.

Pensions
The Company participates in a defined benefit pension scheme arrangement with the Dumfries and Galloway Council Pension Fund ("the Fund"). The Fund is administered by Dumfries and Galloway Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. The Fund provides benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of the Fund are held separately from those of the Company. The Company accounts for its participation in the Fund in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Company's share of the Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and, in the statement of comprehensive income under actuarial gain or loss on pension schemes.

Fixed assets - housing properties
In accordance with SORP 2014, the DGHP Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

- **Valuation of housing of properties**

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

- **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the DGHP Group has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter at the following annual rates.

	Economic life
Bathrooms	25
External environment	20
External wall finishes	35
Heating system boiler	12
Internal works and common areas	20
Kitchens	20
Mechanical, electrical and plumbing	25
Structure and roofs	50
Windows and doors	30

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

- **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings,
- Interest costs directly attributable;
- Development expenditure, including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Non-social housing properties
Housing for Mid-Market Rent is valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are revalued at each reporting date.

New Build Grant and other capital grants
New Build Grant is received from central government and local authorities and contributes to the costs of housing properties.

New Build Grant received is recognised as income in the Statement of Comprehensive Income when new build properties are completed or the capital work is carried out. New Build Grant due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant is removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Other tangible fixed assets
For other tangible assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

	Economic Life
Furniture, fittings and office equipment (cost)	5 years
Computer equipment (cost)	3 years
Office Improvements (cost)	10 years
Community infrastructure (cost)	20 years

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Provisions

The DGHP Group only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in the outflow of resources.

Taxation

As a charity, Dumfries and Galloway Housing Partnership Limited is exempt from corporation tax on its charitable activities by virtue of Section 478 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Capital Gains Tax Act 1992. A charge for taxation is made in the DGHP Group's non-charitable subsidiary companies, Novantie Limited and DGHP 3 Limited, based on their taxable profit for the year. In accordance with FRS 102, full provision is made for all material timing differences.

Value Added Tax

Dumfries and Galloway Housing Partnership Limited and its subsidiaries are registered for VAT. DGHP and Novantie are members of the Wheatley Housing Group VAT group. The majority of its income, including rental receipts, is exempt for VAT purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

3. Particulars of turnover, operating costs and operating surplus - Group

	Turnover	Operating Costs	Other gains and (losses) Investment properties	2021 Operating surplus/ (deficit)	2020 Operating surplus
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	47,071	(29,483)	-	17,588	5,720
Other activities (note 5)	1,621	(3,704)	-	(2,083)	(18)
Revaluation of investment properties (note 16)	-	-	3,064	3,064	319
Total	**48,692**	**(33,187)**	**3,064**	**18,569**	**6,021**
Total for previous reporting period	**48,495**	**(42,793)**	**319**	**6,021**	

Particulars of turnover, operating costs and operating surplus – Company

	Turnover	Operating Costs	Other gains and (losses)	2021 Operating surplus/ (deficit)	2020 Operating surplus
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	47,071	(29,483)	-	17,588	5,720
Other activities (note 5)	1,558	(3,711)	-	(2,153)	41
Revaluation of investment properties (note 16)	-	-	2,974	2,974	355
Total	**48,629**	**(33,194)**	**2,974**	**18,409**	**6,116**
Total for previous reporting period	**48,576**	**(42,815)**	**355**	**6,116**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

4. Particulars of turnover, operating costs and operating surplus from social letting activities – Group and Company

	General Needs £'000	Supported Housing £'000	Other £'000	2021 Total £'000	2020 Total £'000
Rent receivable net of service charges	42,225	1,327	493	44,044	43,701
Service charges	121	92	-	213	213
Gross income from rents and service charges	**42,346**	**1,419**	**493**	**44,257**	**43,914**
Less rent losses from voids	(444)	(49)	(165)	(657)	(893)
Net income from rents and service charges	**41,902**	**1,370**	**328**	**43,600**	**43,021**
Grants released from deferred income	1,055	-	-	1,055	-
Revenue grants from Scottish Ministers	893	-	-	893	770
Other revenue grants	842	679	-	1,521	769
Total turnover from affordable letting activities	**44,694**	**2,049**	**328**	**47,071**	**44,560**
Management and maintenance administration costs	(9,380)	(729)		(10,109)	(12,105)
Service costs	(91)	(64)	-	(155)	(186)
Planned and cyclical maintenance including major repairs costs	(2,765)	(6)	-	(2,771)	(6,128)
Reactive maintenance costs	(6,123)	(95)	(12)	(6,230)	(4,692)
Bad debts – rents and service charges	(138)	-	-	(138)	(674)
Impairment of housing under construction	(498)	-	-	(498)	-
Depreciation of affordable let properties	(9,336)	(246)	-	(9,582)	(15,055)
Operating costs from social letting activities	**(28,331)**	**(1,140)**	**(12)**	**(29,483)**	**(38,840)**
Operating surplus from social lettings	**16,363**	**909**	**316**	**17,588**	**5,720**
Operating surplus/(deficit) from social lettings for the previous reporting period	**4,576**	**821**	**323**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

5. Particulars of turnover, operating costs and operating surplus from other activities - Group

	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2021 Operating Surplus /(deficit) £'000	2020 Operating Surplus /(deficit) £'000
Wider role	-	-	-	-	-	(16)
Factoring	-	130	130	(219)	(89)	(120)
Investment property activities	-	615	615	(35)	580	607
Support activities	120	-	120	(196)	(76)	(124)
Agency/management services		7	7	(122)	(115)	(153)
New supply shared equity	-	-	-	-	-	(208)
Organisation restructuring	-	-	-	(2,781)	(2,781)	(377)
Environmental grants	-	468	468	-	468	408
Other income	-	281	281	-	281	255
Depreciation	-	-	-	(351)	(351)	(290)
Total from other activities	**120**	**1,501**	**1,621**	**(3,704)**	**(2,083)**	**(18)**
Total from other activities for the previous reporting period	**120**	**3,815**	**3,935**	**(3,953)**	**(18)**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 - (continued)

5. Particulars of turnover, operating costs and operating surplus from other activities - Company

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2021 Operating Surplus /(deficit) £'000	2020 Operating Surplus /(deficit) £'000
Wider role	-	-	-	-	-	-	(16)
Factoring	-	-	130	130	(219)	(89)	(120)
Investment property activities	-	-	550	550	(26)	524	529
Support activities	-	120	-	120	(196)	(76)	(124)
Agency/management services	-		7	7	(140)	(133)	(153)
Development activities for third parties	-	-	-	-	-	-	(208)
Organisation restructuring	-	-	-	-	(2,781)	(2,781)	(377)
Environmental grants	-	-	468	468	-	468	408
Other income	-	-	283	283	-	283	388
Depreciation	-	-	-	-	(349)	(349)	(286)
Total from other activities	-	**120**	**1,438**	**1,558**	**(3,711)**	**(2,153)**	**41**
Total from other activities for the previous reporting period	-	**120**	**3,896**	**4,016**	**(3,975)**	**41**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

6. Board members' emoluments – Group and Company

No Board members received remuneration (2020: nil).

7. Key Management Emoluments – Group and Company

Key management personnel are employed by another Wheatley Group subsidiary and perform an executive management role across all subsidiaries in the Wheatley Group. The total emoluments payable to Wheatley Group key management personnel are disclosed in the Wheatley Housing Group consolidated financial statements. The DGHP Group and Company pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind. This approach results in charges for executive management that are significantly lower than those borne prior to DGHP joining the Wheatley Group in December 2019.

	2021	2020
	£ 000	£ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	182	245
During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:		
More than £nil but not more than £10,000	-	1
More than £10,000 but not more than £20,000	1	-
More than £20,000 but not more than £30,000	4	-
More than £40,000 but not more than £50,000	1	-
More than £90,000 but not more than £100,000	-	1
More than £100,000 nut not more than £110,000	-	1

Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Tom Barclay	Group Director of Property and Development
Olga Clayton	Group Director of Housing and Care
Steven Henderson	Group Director of Finance
Graham Isdale	Group Director of Corporate Affairs
Elaine Melrose – to 30 September 2020	Group Director of Resources

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

8. Employees - Group and Company

	2021	2020
	No.	No.
The average monthly number of full-time equivalent persons employed during the year was	269	199
The average total number of employees employed during the year was	300	216
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	10,501	7,234
Social security costs	898	650
Pension costs	1,504	866
Pension service cost	605	482
	13,508	9,232

9. Finance income

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank interest receivable on deposits in the year	138	364	138	361
	138	364	138	361

10. Finance charges

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Interest on loans	5,862	6,246	5,862	6,246
Amortisation of loan premium	(52)	(52)	(52)	(52)
Other financing costs	240	-	240	-
Refinancing fees	-	6,299	-	6,299
Net interest charges on pension liability	75	94	75	94
	6,125	12,587	6,125	12,587

Other financing costs include commitment, non-utilisation fees and the amortisation of transaction costs of the Company's funding arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

11. Tax on surplus on ordinary activities

Group	2021 £000	2020 £000
Total tax expense recognised in the Statement of Comprehensive Income:		
Current tax:		
Current tax on income for the year	-	-
Adjustment in respect of prior periods	-	(26)
	-	(26)
Deferred tax:		
Origination and reversal of timing differences	17	(5)
Effects of changes in tax rates	-	6
	17	1
Total Tax	17	(25)

The Company had no tax charge for the year (2020: nil).

The charitable status of Dumfries and Galloway Housing Partnership Limited means that no corporation tax is payable on their activities. Tax is payable on the profits from the activities of the DGHP Group's other non-charitable subsidiary companies.

Factors affecting the tax charge for the current period

Group	2021 £000	2020 £000
Reconciliation of effective tax rate		
Surplus/(deficit) for the year	12,572	(6,177)
Total tax expense/(credit)	17	(25)
Surplus/(deficit) excluding taxation	12,589	(6,202)
Tax using the UK corporation tax rate of 19% (2020: 19%)	2,392	(1,184)
Effects of:		
Charitable surplus/losses not subject to tax	(2,296)	1,193
Adjustment in respect of prior periods	(3)	(22)
Qualifying charitable donations	(76)	(15)
Timing differences	-	(4)
Expenses not deductible	-	2
Tax rate changes	-	5
Total tax expense/(credit) included in Statement of Comprehensive Income	17	(25)

The Company has no tax charge for the year (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

12. Auditor's remuneration

The remuneration of the auditor (excluding VAT) is as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Audit of these financial statements	58	65	50	43
Other services	-	-	-	-
	58	65	50	43

13. Financial commitments

Capital commitments – Group and Company

All capital commitments were as follows:

	2021	2020
	£'000	£'000
Expenditure contracted for, but not provided in the financial statements	24,797	10,665
Expenditure authorised by the Board but not contracted	7,824	1,405
	32,621	12,070

Capital commitments are funded through a combination of grant received from the Scottish Government in relation to our new build programme, operating surplus generated by the DGHP Group, and private funding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

13. Financial commitments (continued)

Operating leases – Group and Company

At 31 March the DGHP Group and Company had total commitments under non-cancellable operating leases as follows:

	2021 Land and Buildings	2020 Land and Buildings
	£000	£000
Operating lease payments due:		
Within one year	150	16
In the second to fifth years inclusive	-	506
Over five years	-	-
	150	522

Lease commitments include the timing of the full payment due under contract as required by FRS 102. The DGHP Group's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions. As such, no disclosure of tenant leases under FRS 102 section 20.30 is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Tangible Fixed Assets

Social Housing Properties – Group

	Social Housing Properties £'000	Housing Under Construction £'000	Total £000
Valuation			
At 1 April 2020	357,839	7,944	365,783
Additions	10,988	7,880	18,868
Disposals	(485)	-	(485)
Transfers	2,499	(2,499)	-
Impairment	-	(498)	(498)
Revaluation	23,203	-	23,203
At 31 March 2021	394,044	12,827	406,871
Accumulated Depreciation			
As at 1 April 2020	-	-	-
Charge for year	9,403	-	9,403
Disposals	(305)	-	(305)
Revaluation	(9,098)	-	(9,098)
At 31 March 2021	-	-	-
Net Book Value - Valuation			
At 31 March 2021	394,044	12,827	406,871
At 31 March 2020	357,839	7,944	365,783
Net Book Value – Cost			
At 31 March 2021	216,563	13,325	229,888
At 31 March 2020	212,659	7,944	220,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Tangible fixed assets (continued)

Social Housing Properties – Company

	Social Housing Properties £'000	Housing Under Construction £'000	Total £000
Valuation			
At 1 April 2020	357,839	7,944	365,783
Additions	10,988	8,206	19,194
Disposals	(485)	-	(485)
Transfers	2,624	(2,624)	-
Impairment	-	(498)	(498)
Revaluation	23,078	-	23,078
At 31 March 2021	394,044	13,027	407,072
Accumulated Depreciation			
As at 1 April 2020	-	-	-
Charge for year	9,403	-	9,403
Disposals	(305)	-	(305)
Revaluation	(9,098)	-	(9,098)
At 31 March 2021	-	-	-
Net Book Value - Valuation			
At 31 March 2021	394,044	13,027	407,072
At 31 March 2020	357,839	7,944	365,783
Net Book Value – Cost			
At 31 March 2021	216,688	13,526	230,214
At 31 March 2020	212,659	7,944	220,603

Total DGHP Group expenditure on repairs and capital improvements in the year on existing properties was £20.0m (2020: £34.6m). Of this, repair costs of £9.0m (2020: £10.8m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £11.0m (2020: £23.8m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £11.0m in the year include:

- £5.8m for component additions including:
  - £0.5m on external environment;
  - £1.6m on external wall finishes;
  - £0.4m on heating system boilers;

- £0.1m on internal works and common areas;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Tangible fixed assets (continued)

  - £0.4m on kitchens;
  - £1.3m on mechanical, electrical and plumbing;
  - £1.1m on structure and roofs; and
  - £0.4m on windows and doors.

- The remaining balance of £5.2m of additions to existing properties not associated with a specific component includes £3.6m on void improvements and £0.6m of medical adaptations.

Additions to housing under construction include capitalised interest costs of £391k (2020: £327k). Interest has been capitalised at the weighted average interest cost for the DGHP Group of 3.83% (2020: 3.83%)

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Company's demolition programme, as detailed in the Company's 30-year Business Plan for 2021/22. The demolition programme identifies 128 (2020: 128) properties for demolition over the next few years, with no long term investment expenditure associated with these properties.

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so is held at £nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the date of the Statement of Financial Position to provide for these costs.

Retained stock for letting has been valued at £394.0m. Housing under construction, with a NBV of £13.0m, is not included within this total.

Social housing properties have been valued by JLL, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2021 on an Existing Use Valuation for Social Housing ("EUV-SH").

Included in core stock are 966 garages and 1,197 parking sites owned by Dumfries and Galloway Housing Partnership held at a value of £3,964k (2020: £3,964k). These have been valued at market value subject to tenancy ("MV-T"), the Directors consider the difference between EUV-SH and MV-T for these properties to be immaterial.

Discount rates between 5.75 – 6.50% have been used depending on the property archetype (2020: 5.50-6.00 % retained stock). The valuation assumes a rental income increase of 2.0% in 2021/22 and in 2022/23 with rents increasing by CPI +0.5% thereafter for retained stock, in line with the Company's 30 year Business Plan (2021/22). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

An impairment loss of £498k (2020:nil) has been recognised against land held in housing under construction due to the discovery of archaeological remains at one development site which may limit the density and scope of future development of the site. The impairment loss is reported within depreciation in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Tangible fixed assets (continued)

The number of units of accommodation (excluding unlettable voids) held by the DGHP Group and Company at 31 March 2021 is shown below:

	Group 2021	Group 2020	Company 2021	Company 2020
Social Housing				
General needs	9,855	9,843	9,855	9,843
Supported housing	272	272	272	272
Housing held for long-term letting	10,127	10,115	10,127	10,115
Housing approved/planned for demolition	128	128	128	128
Total Units	10,255	10,243	10,255	10,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Other Tangible Fixed Assets – Group

	Office Property £'000	Furniture, fittings & Equipment £'000	Total £'000
Cost or valuation			
At 1 April 2020	120	3,697	3,817
Additions	222	250	472
Revaluation	-	-	-
At 31 March 2021	342	3,947	4,289
Accumulated Depreciation			
At 1 April 2020	-	3,093	3,093
Charge for year	7	342	349
Revaluation	(7)	-	(7)
At 31 March 2021	-	3,435	3,435
Net Book Value			
At 31 March 2021	342	512	854
At 31 March 2020	120	604	724
Net Book Value -cost			
At 31 March 2021	600	512	1,112
At 31 March 2020	385	604	989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Other Tangible Fixed Assets – Company

	Office Property £'000	Furniture, fittings & Equipment £'000	Total £'000
Valuation			
At 1 April 2020	120	3,632	3,752
Additions	222	248	470
Revaluation	-	-	-
At 31 March 2021	342	3,880	4,222
Accumulated Depreciation			
At 1 April 2020	-	3,035	3,035
Charge for year	7	340	347
Revaluation	(7)	-	(7)
At 31 March 2021	-	3,375	3,375
Net Book Value			
At 31 March 2021	342	505	847
At 31 March 2020	120	597	717
Net Book Value - cost			
At 31 March 2021	600	505	1,105
At 31 March 2020	385	597	982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

16. Investment properties - Group

	Properties held for market rent £'000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2020	8,046	455	8,501
Additions at cost	34	-	34
Revaluation taken to operating surplus	2,970	94	3,064
At 31 March 2021	11,050	549	11,599
Net Book Value			
At 31 March 2021	11,050	549	11,599
At 31 March 2020	8,046	455	8,501

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Savills (UK) on 31 March 2021. Commercial properties were valued by an independent professional advisor, JLL, on 31 March 2021 in accordance with the appraisal and valuation manual of the RICS.

16. Investment properties – Company

	Properties held for market rent £'000
Valuation	
At 1 April 2020	8,002
Additions at cost	34
Revaluation taken to operating surplus	2,974
At 31 March 2021	11,010
Net Book Value	
At 31 March 2021	11,010
At 31 March 2020	8,002

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, JLL on 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

16. Investment properties (continued)

The number of properties held for market rent by the Group and the Company at 31 March was:

	Group		Company	
	2021	2020	2021	2020
Mid Market Rent Properties				
Total Units	101	101	100	100

17. Stock

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materials on site	973	272	973	255
Van stocks	441	-	441	-
	1,414	272	1,414	255

Materials on site relates to items held but not yet installed into housing properties as part of the investment programme.

Van stocks are repairs materials for use by the in-house repairs service and are held at average cost.

18. Debtors

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Arrears of rent & service charges	2,653	3,010	2,632	3,001
Less: Provision for bad and doubtful debts	(1,104)	(1,380)	(1,093)	(1,377)
	1,549	1,630	1,539	1,624
Prepayments and accrued income	622	568	622	568
Other debtors	828	1,480	766	1,456
Due from other group companies	-	679	345	920
	2,999	4,357	3,272	4,568

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

19. Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade creditors	3,752	5,831	3,710	5,536
Bank overdraft	222	-	-	-
Accruals	4,481	1,196	4,407	1,159
Deferred income	4,725	-	4,725	-
Rent and service charges received in advance	161	396	160	395
Tax and social security	207	169	207	169
Other creditors	424	4,522	217	4,495
Corporation tax	-	-	-	-
Due to other group companies	573	224	2,332	577
	14,545	12,338	15,758	12,331

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

20. Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loans	190,802	188,704	190,802	188,704
Deferred income	7,742	8,375	7,742	8,375
	198,544	197,079	198,544	197,079

Bank lending facility

The borrowing arrangements for DGHP were restructured in December 2019 and the previous facility in place with Dexia was repaid and a new £114.0m facility was put in place with M&G secured on a portion of the Company's properties. Interest is payable at rates of 2.59% to 2.83%.

A facility of £40.0m is in place with The Housing Finance Corporation ("THFC"). The loan premium of £1,602k received on drawdown is being amortised over the life of the loan and at 31 March 2021 stood at £1,134k (2020: £1,186k) with interest fixed at a rate of 4.95% with the loan repayable in full in October 2043. A further £35.0m facility is in place with Allia under the Scottish Government Charity Bonds Programme, at rates between 2.18% to 3.67% with interest repayable at end of loan term and included above in loans.

A revolving credit facility of £35.0m is in place with the Royal Bank of Scotland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Creditors: amounts falling due after more than one year (continued)

Dumfries and Galloway Housing Partnership Limited has secured £277m of its housing stock against these facilities. At 31 March 2021, 35% (£147m) of DGHP's housing properties remained unsecured.

Borrowings are repayable as follows

	2021	2020
	£'000	£'000
In less than one year	-	-
In more than one year but less than five years	-	-
In more than five years	190,802	188,704
	190,802	188,704

Deferred income

Analysis of deferred income – Group and Company

	New Build Grant	Other grant/ income	Total
	£'000	£'000	£'000
Deferred income as at 1 April 2020	8,139	236	8,375
Additional income received	4,401	746	5,146
Released to Statement of Comprehensive Income	(955)	(100)	(1,055)
Deferred income as at 31 March 2021	11,585	882	12,467

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

Deferred income to be released to the Statement of Comprehensive Income:	2021 £'000	2020 £'000
In less than one year (note 19)	4,725	-
In more than one year but not less than five years	7,742	8,375
In more than five years	-	-
	12,467	8,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Creditors: amounts falling due after more than one year (continued)

Financial instruments - Group

Financial assets:	2021 £'000	2020 £'000
Measured at amortised cost:		
Debtors and accrued income	2,999	4,357
Total	2,999	4,357

Financial liabilities:	2021 £ 000	2020 £ 000
Measured at amortised cost:		
Creditors, accruals and deferred income	22,347	20,713
Bank loans	190,802	188,704
Total	213,149	209,417

Financial instruments - Company

Financial assets:	2021 £'000	2020 £'000
Measured at amortised cost:		
Debtors and accrued income	3,272	4,568
Total	3,272	4,568

Financial liabilities:	2021 £ 000	2020 £ 000
Measured at amortised cost:		
Creditors, accruals and deferred income	23,500	20,706
Bank loans	190,802	188,704
Total	214,302	209,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

21. Pensions

Dumfries and Galloway Pension Fund

Dumfries and Galloway Housing Partnership Limited participates in the Dumfries and Galloway Pension Fund which is administered by Dumfries and Galloway Council and is a defined benefit scheme. Dumfries and Galloway Pension Fund is part of the wider Local Government Pension Scheme ("LGPS") in Scotland. The assets of the scheme are held separately from those of the Company with investments under the overall supervision of the Fund Trustees. The latest full actuarial valuation was carried out as at 31 March 2020.

The formal valuation at 31 March 2020 includes an allowance for full GMP indexation and the estimated impact of the McCloud judgement based on eligibility criteria for inclusion of members in the agreed remedy. In preparing the annual valuation at 31 March 2021, the assumption used by the actuary for inflation and the correlation to the discount rate has been reassessed as a result of RPI reform announcements with long-term "wedge" between RPI and CPI reduced compared to the prior year.

DGHP Group Defined Contribution Scheme

The DGHP Group also operates a defined contribution scheme with Scottish Widows. These arrangements are open to all employees of DGHP who are not members of the Dumfries and Galloway Pension Fund.

Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation of the Group defined benefit pension arrangements, are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	31 March 2021	**31 March 2020**
Discount rate	2.05%	2.45%
Future salary increases	*1.85%	2.20%
Inflation (CPI)	2.80%	1.90%

*Salary increases as assumed to be 1.50% for the first three years and 2.00% thereafter.

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2021 and 2020 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 20.8 years, female 23.3 years (2020: 21.1 and 23.4 years, respectively)
- Future retiree upon reaching 65: male 21.9 years, female 25.3 years (2020: 22.0 and 25.0 years, respectively)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

21. Pensions (continued)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which the DGHP Group has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	2021 £'000	2020 £'000
Opening defined benefit obligation	**16,333**	**18,421**
Current service cost	647	829
Past service cost (including curtailments)	435	137
Interest cost	410	451
Actuarial losses/(gains)	5,871	(3,435)
Contributions by members	118	126
Estimated benefits paid	(346)	(196)
Closing defined benefit obligation	**23,468**	**16,333**

Movements in fair value of plan assets

	2021 £'000	2020 £'000
Opening fair value of plan assets	**13,568**	**14,678**
Expected return on plan assets	335	357
Actuarial gains/(losses)	5,991	(1,881)
Contributions by the employer	477	484
Contributions by the members	118	126
Estimated benefits paid	(346)	(196)
Closing fair value of plan assets	**20,143**	**13,568**

	2021 £'000	2020 £'000
Present value of funded defined benefit obligations	(23,468)	(16,333)
Fair value of plan assets	20,143	13,568
Net asset	(3,325)	(2,765)

Expense recognised in the statement of comprehensive income

	2021 £'000	2020 £'000
Current service cost	647	345
Past service cost	435	137
Net interest on net defined benefit obligation (note 10)	75	94
	1,157	576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

21. Pensions (continued)

The total amount recognised in the statement of comprehensive income in respective of actuarial gains and losses is £120k gain (2020: £1,554k gain).

The fair value of the plan assets and the return on those assets were as follows:

	2021 £'000	2020 £'000
Equities	14,503	9,226
Corporate bonds	3,424	4,206
Property	2,215	136
	20,143	13,568
Actual return on plan assets	6,326	(1,524)

22. Provisions for liabilities and charges - Group

	Deferred tax £'000	Dilapidations £'000	Total £'000
At 1 April 2020	96	-	96
Utilised	-	-	-
Added in the year	17	379	396
	113	379	492

Provisions for liabilities and charges - Company

	Dilapidations £'000	Total £'000
At 1 April 2020	-	-
Utilised	-	-
Added in the year	379	379
	379	379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

23. Related party transactions – Group and Company

Members of the Management Board are related parties of the Company as defined by FRS 102.

The DGHP Group retains a register of members' interests. The following interests in related parties are required to be declared:

Tenant Board Members

The following members were tenants of Dumfries and Galloway Housing Partnership during the year and have/had tenancy agreements that are on the Company's normal terms and they cannot use their positions to their advantage.

Mr Michael Greaves-MacIntosh
Mr William Robertson

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2021 are as follows:

	2021
	£'000
Rent charged during the year	9
Arrear balances outstanding at 31 March 2021	-

The Group participates in the Dumfries and Galloway Council Pension Fund, which is a related party per FRS102, section 33. The transactions and balances at the year end are disclosed in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

24. Cash flow analysis

Cash flow from operating activities – Group	2021	2020
	£'000	£'000
Surplus/(deficit) for the year	12,572	(6,233)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	10,251	14,651
Decrease/(increase) in trade and other debtors	1,358	(1,838)
Increase in trade and other creditors	412	4,428
(Increase)/decrease in stock	(1,142)	1,954
Pension costs less contributions payable	605	482
Adjustments for investing or financing activities:		
Government grants utilised in the year	(1,055)	(940)
Interest payable	6,161	12,639
Interest received	(138)	(364)
Amortisation of loan	(52)	(52)
Gain on investment activities	(3,064)	(319)
(Increase)/decrease in valuation of office property	(7)	56
Loss on component disposals	180	697
Net cash inflow from operating activities	**26,081**	**25,161**

Cash flow from operating activities – Company	2021	2020
	£'000	£'000
Surplus/(deficit) for the year	12,429	(6,166)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	10,249	14,647
Decrease/(increase) in trade and other debtors	1,296	(1,972)
Increase in trade and other creditors	1,837	4,668
(Increase)/decrease in stock	(1,159)	1,971
Pension costs less contributions payable	605	482
Adjustments for investing or financing activities:		
Government grants utilised in the year	(1,055)	(940)
Interest payable	6,161	12,639
Interest received	(138)	(361)
Amortisation of loan	(52)	(52)
Gain on investment activities	(2,974)	(355)
(Increase)/decrease in valuation of office property	(7)	56
Loss on component disposals	180	697
Net cash inflow from operating activities	**27,372**	**25,314**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

25. Ultimate parent organisation

The Company is a "wholly owned" subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the Company are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office
Anthony Allison
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25 Cochrane Street
Glasgow
G1 1HL

Independent Auditor
KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Banker
Royal Bank of Scotland
Glasgow Corporate Office
Kirkstane House
129 St Vincent Street
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