



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2020

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 2020.

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.

During 2019/20, a review of the future strategic purpose and direction of DGHP concluded that the organisation’s objectives would be best achieved as part of a larger group with access to funding, development and other resources needed to move forward the Partnership’s ambitious agenda. In July 2019, DGHP notified tenants and other stakeholders that the Board had agreed to seek a constitutional partnership with the Wheatley Housing Group, Scotland’s largest housing and property management group. Following the conclusion of discussions between the two organisations, DGHP became a wholly owned subsidiary of The Wheatley Housing Group Limited (“WHG” or “Wheatley”) on 12 December 2019.

As a result of this partnership, DGHP have aligned with the Group’s accounting policies resulting in these accounts including a restatement to the March 2019, details of which can be found in Note 25 on page 54.

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.

STRATEGIC REPORT (continued)

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.

OPERATING REVIEW

Throughout the year 2019/20, DGHP has performed well, in particular, around letting homes and income collection.

A significant milestone during the year has been the refinancing of our loans, providing more funds to invest in homes and services for our customers and puts us in an even stronger financial position for the future.

The year will also be remembered for another reason – the unprecedented Coronavirus pandemic. The crisis has challenged the organisation, our staff and our customers, like never before; however, everyone has been swift and agile in their response.

Along with the other partner organisations in Wheatley, DGHP acted quickly to support our customers, in particular, those who are most vulnerable, as we moved to a restriction of some of our services. Our staff were kept safe and PPE was made available to those who needed it. At the start of lockdown, we successfully transferred over 93 employees from Morgan Sindall Property Services, into our new in-house repairs service.

Our team are working flexibly with customers and are adopting the Wheatley Group's *Think Yes* attitude when it comes to helping people who are struggling, shielding or self-isolating. During this time we introduced a new *EatWell* team – which issued over 2,000 food parcels to those in need throughout Dumfries and Galloway in the first 12 weeks of lockdown.

As an organisation we adapted and changed our service model. Although our offices closed we have continued to deliver services to customers in different ways. We remain committed to delivering on plans to invest in our homes and the delivery of our new build programme as quickly as possible once restrictions are lifted.

STRATEGIC REPORT (continued)

OPERATING REVIEW (continued)

Highlights for 2019/20 include:

Building new homes

DGHP was on site with 49 new affordable homes over the year, all for social rent.

When completed, our new homes will include:

- 32 new homes in Lincluden
- 12 new homes in Sanquhar and
- 5 new homes in Monreith

The 49 new homes represent a total investment of £10.8million in Dumfries and Galloway by the Scottish Government and DGHP.

Investing in our homes

In 2019/20, we delivered £23.8million of planned improvements in our homes and communities. This included:

- £3.6m on new windows and doors for 1,183 homes
- £1.6m on new kitchens, bathrooms, wet floor bathrooms, ramps and other aids and adaptations for 307 customers
- £2.6m on new smoke detectors for 5,733 homes
- £3.9m on new heating systems and boilers for 874 customers
- £4.1m on external wall insulation for 307 homes and
- £1.1m on roofing for 29 properties

Improving our neighbourhoods

Creating safe neighbourhoods where people are proud to live remained one of our priorities. Throughout the year we carried out improvements to open spaces within our communities. Our Housing Officers maintain strong connections within our communities to ensure our tenants continue to live in a peaceful and vibrant environment.

Our repairs service

We continued our mission to improve our repairs and maintenance service. We spent £4.7million on reactive repairs, which comprised a total of 11,451 emergencies and 28,432 other repairs.

We successfully set up an in-house repairs service focussed on customer care, including –

- Transferring 93 employees of Morgan Sindall Property Services into the business under TUPE
- Introducing cutting-edge ICT including Dynamic Resource Scheduling to improve response times and reduce costs
- Setting up an innovative supply chain partnership with Saint-Gobain; and
- Rolling out training for the incoming and existing teams

STRATEGIC REPORT (continued)

OPERATING REVIEW (continued)

Our improving performance

We continued to improve our performance across key areas, with high levels of satisfaction among our customers.

A total of 94.83% of tenants were satisfied with their landlord's overall performance and 95.93% of tenants thought that their landlord was good at keeping them informed – up from 95.63%.

The percentage of tenants satisfied with the quality of their home stood at 92.68% and 92.73% were satisfied with repairs carried out in the previous twelve months.

We will continue to work closely with our customers to ensure they get as much value from their home and our services as they can.

Supporting our customers

More than a fifth of Wheatley customers are now on Universal Credit ("UC"), an increase of almost 10% from last year. In DGHP a quarter of customers are now in receipt of Universal Credit.

We continued to support our customers through the challenges they faced, particularly around the five-week delay in getting their first payment.

Our advisors at DGHP helped customers claim over £1.4million in benefits they were entitled to last year, and over the next 12 months we will continue to do all we can to support customers cope with the difficulties posed by UC.

In addition, we engaged with 1,846 customers throughout the year through supporting community and tenant groups, carrying out talks on housing to schools throughout the region as well as holding focus groups and consultation sessions.

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 2020 totalled £48.5m (2019 restated: £49.8m). The main source of income for the Group's is the provision of social rental of housing property with net rental income of £43.0m (2019: £41.8m). Grant income reported through the Statement of Comprehensive Income was £1.5m (2019 restated: £6.2m), with the reduction of £4.7m in the year due to no new build properties being completed during the year. 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.

Income from other activities reported an increase of £2.0m in the year, as result of the disposal of 13 shared equity properties with the development costs recognised through operating costs.

Expenditure

Operating costs of the DGHP Group in the year totalled £42.8m (2019 restated: £29.4m), an increase of £13.4m attributable to a one-off increase of £5.6m in depreciation due to a change in the estimate of useful lives most notably in structure and roofs which reduced from 75 years to 50 years and bathrooms and mechanical, electrical and plumbing both of which reduced from 30 to 25 years. Spend on major repairs of £6.1m increased by £3.1m and a further £2.0m of operating expenditure is reported through other activities in relation to the development costs of shared equity properties.

Total operating costs of £42.8m largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £12.1m (2019 restated: £11.5m).
- £4.7m of reactive maintenance costs to our social letting properties (2019 restated: £4.8m).
- £6.1m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2019 restated: £3.0m).
- Depreciation expenditure, for social and non-social housing assets including the one-off additional charge for the change in the estimate of useful lives for certain categories of asset, of £15.1m (2019 restated: £7.8m).

The DGHP Group generated an operating surplus of £6.0m (2019 restated: £20.7m) after a £0.3m gain on investment properties (2019 restated: £0.3m gain), relating to the valuation of mid-market rent and commercial units and after the one-off additional charge to depreciation of £5.6m. Excluding the adjustment to depreciation in the year, the DGHP Group reported an underlying operating surplus of £11.6m.

Other expenditure in the year includes finance charges of £12.6m (2019 restated: £6.3m), which includes charges of £6.3m (2019: nil) for the termination of interest rate hedges on re-financing of the DGHP Group's loan portfolio and interest costs of £6.3m (2019 restated: £6.3m).

Total comprehensive expenditure for the year of £4.8m (2019 restated: income of £14.8m) includes a decrease in valuation of social housing properties of £0.1m (2019 restated: increase of £1.4m) and a gain of £1.6m (2019: loss of £1.2m) in respect of the annual actuarial valuation of the Dumfries and Galloway Pension Fund.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Cashflows

The cash flow statement of the DGHP Group is shown on page 20. DGHP generated £25.2m from operating activities (2019 restated: £27.7m). The reduction in cash generated from operating activities is attributable to the £6.3m charge incurred in respect of the termination of fixed rate borrowing arrangements.

At 31 March 2020, cash and cash equivalents were £65.0m; an increase of £10.1m in the year. This is a result of borrowings drawn on the re-financing and held to provide capacity for future investment in the development of new build properties. The cash balance also provides liquidity in light of the emerging Covid-19 crisis.

Rental debtors

At the statement of financial position date, the DGHP Group had rent arrears of £3.0m offset by bad debt provisions of £1.4m (2019: £2.3m and £1.1m respectively).

Liquidity

The DGHP Group's net current assets at 31 March 2020 totalled £57.3m, an increase of £6.5m in the year. Loan facilities were refinanced during the year and arrangements are in place which provide sufficient capacity along with £65.0m 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 £23.8m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £365.8m (2019 restated: £355.7m).

New Build

During the financial year we commenced work on 49 new build properties for social rent across three developments. Our new build programme invested £1.5m in the year. The Business Plan includes a further projected spend of £82m on the new build programme over the next five years.

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

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

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



08 September 2020

Grierson House
The Crichton
Bankend Road
Dumfries
DG1 4ZS

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	Committees/Group Directorships
William Robertson *	26 September 2013	-	-
Robert Carnochan	22 September 2016	17 September 2019	-
Maureen Dowden (chair)	28 March 2018	-	Audit Committee (chair)
Rose Gowan*	28 September 2017	17 September 2019	-
Michael Greaves-Mackintosh*	28 September 2017	-	-
Heather Macnaughton	28 March 2018	-	-
George McBurnie	25 September 2008	17 September 2019	-
David McMillan	22 September 2005	17 September 2019	-
Elaine Tyler	14 December 2016	17 September 2019	-
John Henderson	27 September 2018	-	-
George Thorley	20 February 2019	-	-
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)

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 DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

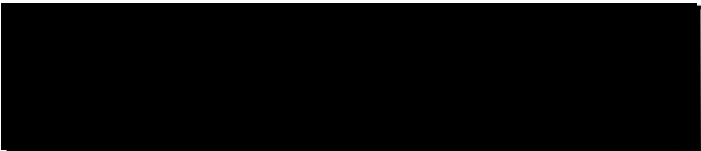
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting 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 company and of the profit or loss of the company for that period. In preparing these 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 company and to prevent and detect fraud and other irregularities.

By order of the Board



08 September 2020

Grierson House
The Crichton
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DG1 4ZS

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 association") for the year ended 31 March 2020 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 parent association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the Companies Act 2006, 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 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 association 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 association's Board has prepared the financial statements on the going concern basis as it does not intend to liquidate the association or to cease its operations, and as it has concluded that the association's financial position means that this is realistic. The Board has also concluded that there are no material uncertainties that could have cast significant doubt over the association's 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

Other information

The directors are responsible for the other information, which comprises the Strategic Report, Directors' Report and the Directors' Statement on Internal Financial Control. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or 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 those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports been prepared in accordance with the Companies Act 2006.

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

We are also required to report to you if, in our opinion:

- the Directors' Statement on Internal Financial Control on page 10 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- the Directors' Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing the audit.

We have nothing to report in these respects.

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 parent association 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 parent association 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

Board's responsibilities

As more fully explained in the statement set out on page 11, the association's Board is responsible for: the preparation of the financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has 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 association in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

KPMG

319 St Vincent Street

Glasgow, G2 5AS

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
MARCH 2020 - GROUP**

	Notes	Total 2020 £'000	Total 2019 Restated £'000
Turnover	3	48,495	49,801
Operating expenditure	3	(42,793)	(29,403)
Other gains and losses	16	319	291
		<hr/>	<hr/>
Operating surplus		6,021	20,689
Finance income	9	364	281
Finance charges	10	(12,587)	(6,325)
(Decrease)/ increase in valuation of office property	15	(56)	5
		<hr/>	<hr/>
(Deficit) /surplus before tax		(6,258)	14,650
Taxation	11	25	(25)
		<hr/>	<hr/>
(Deficit) /surplus after tax		(6,233)	14,625
Unrealised (deficit)/surplus on revaluation of housing properties		(104)	1,382
Actuarial gain /(loss) in respect of pension schemes		1,554	(1,220)
		<hr/>	<hr/>
Total comprehensive result for the year		<u>(4,783)</u>	<u>14,787</u>

All amounts relate to continuing operations.

The notes on pages 22 to 58 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020 – COMPANY

	<i>Note</i>	2020 £'000	2019 Restated £'000
Turnover	3	48,576	49,748
Operating expenditure	3	(42,815)	(29,415)
Other gains and losses	16	355	293
Operating surplus		<u>6,116</u>	<u>20,626</u>
Finance income	9	361	279
Finance charges	10	(12,587)	(6,325)
(Decrease)/ increase in valuation of office property	15	(56)	5
(Deficit)/surplus for the year		<u>(6,166)</u>	<u>14,585</u>
Unrealised (deficit)/ surplus on revaluation of housing properties		(104)	1,382
Actuarial gain/(loss) in respect of pension schemes		<u>1,554</u>	<u>(1,220)</u>
Total comprehensive result for the year		<u>(4,716)</u>	<u>14,747</u>

All amounts relate to continuing operations.

The notes on pages 22 to 58 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2020 - GROUP

	Revenue Reserve Restated £'000	Revaluation Reserve Restated £'000	Total Reserves Restated £'000
Balance as at 1 April 2018 as previously reported	18,083	477	18,560
Adjustment to the opening balance (see Note 25)	50,763	153,034	203,797
Restated balance at 1 April 2018	68,846	153,511	222,357
Total comprehensive income for the year	14,787	-	14,787
Transfer of reserves for the revaluation of housing properties	(1,382)	1,382	-
Balance at 31 March 2019	82,251	154,893	237,144
Total comprehensive income 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

All amounts relate to continuing operations.

The notes on pages 22 to 58 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2020 - COMPANY

	Revenue Reserve Restated £'000	Revaluation Reserve Restated £'000	Total Reserves Restated £'000
Balance as at 1 April 2018 as previously reported	18,090	-	18,090
Adjustment to the opening balance (see Note 25)	50,405	152,380	202,785
Balance at 1 April 2018	68,495	152,380	220,875
Total comprehensive income for the year	14,747	-	14,747
Transfer of reserves for the revaluation of housing properties	(1,382)	1,382	-
Balance at 31 March 2019	81,860	153,762	235,622
Total comprehensive income 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

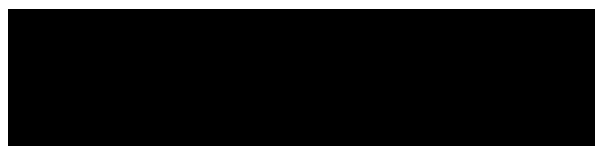
All amounts relate to continuing operations.

The notes on pages 22 to 58 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 – GROUP

	<i>Notes</i>	2020 £'000	2019 Restated £'000
Fixed assets			
Social housing properties	14	365,783	355,682
Other tangible fixed assets	15	724	667
Investment properties	16	8,501	8,130
		<u>375,008</u>	<u>364,479</u>
Current assets			
Work in progress	17	272	2,226
Trade and other debtors	18	4,357	2,518
Cash and cash equivalents		65,002	54,951
		<u>69,631</u>	<u>59,695</u>
Creditors: amounts falling due within one year	19	(12,338)	(8,850)
Net current assets		<u>57,293</u>	<u>50,845</u>
Total assets less current liabilities		432,301	415,324
Creditors: amounts falling due after more than one year	20	(197,079)	(174,342)
Provisions for liabilities			
Pension liability	21	(2,765)	(3,743)
Other provisions	22	(96)	(95)
Total net assets		<u>232,361</u>	<u>237,144</u>
Reserves			
Share capital		-	-
Revenue reserve including pension reserve		77,572	82,251
Revaluation reserve		154,789	154,893
Total reserves		<u>232,361</u>	<u>237,144</u>

These financial statements were approved by the Board on 12 August 2020 and were signed on its behalf on 08 September 2020 by:



Chair

The notes on pages 22 to 58 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 - COMPANY

		2020	2019
	<i>Notes</i>	£'000	Restated £'000
Fixed assets			
Social housing properties	14	365,783	355,682
Other tangible fixed assets	15	717	657
Investment properties	16	8,002	7,595
		<u>374,502</u>	<u>363,934</u>
Current assets			
Work-in-progress	17	255	2,226
Trade and other debtors	18	4,568	2,596
Cash and cash equivalents		63,756	53,554
		<u>68,579</u>	<u>58,376</u>
Creditors: amounts falling due within one year	19	(12,331)	(8,603)
Net current liabilities		<u>56,248</u>	<u>49,773</u>
Total assets less current liabilities		430,750	413,707
Creditors: amounts falling due after more than one year	20	(197,079)	(174,342)
Provisions for liabilities			
Pension liability	21	(2,765)	(3,743)
Total net assets		<u>230,906</u>	<u>235,622</u>
Reserves			
Share capital		-	-
Revenue reserve including pension reserve		77,248	81,860
Revaluation reserve		153,658	153,762
Total reserves		<u>230,906</u>	<u>235,622</u>

These financial statements were approved by the Board on 12 August 2020 and were signed on its behalf on 08 September 2020 by:

Chair

The notes on pages 22 to 58 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020 - GROUP

		2020	2019
	<i>Notes</i>	£'000	Restated £'000
Net cash generated from operating activities	24	<u>25,161</u>	<u>27,734</u>
Cash flow from investing activities			
Improvement of properties		(25,263)	(10,611)
Construction of new properties		-	(3,523)
Investment property additions		(52)	-
Purchase of other fixed assets	15	(402)	(608)
Grants received		272	1,306
Finance income		<u>364</u>	<u>279</u>
		(25,081)	(13,157)
Cash flow from financing activities			
Finance charges		(14,029)	(6,717)
Financing repayment		(110,000)	5,000
Financing drawdown		<u>134,000</u>	<u>-</u>
		9,971	(1,717)
Net change in cash and cash equivalents		10,051	12,860
Cash and cash equivalents at 1 April		54,951	42,091
Cash and cash equivalents at 31 March		<u>65,002</u>	<u>54,951</u>

The notes on pages 22 to 58 form part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020 -
COMPANY**

		2020	2019
	<i>Notes</i>	£'000	Restated £'000
Net cash generated from operating activities	24	<u>25,314</u>	<u>27,281</u>
Cash flow from investing activities			
Improvement of properties		(25,263)	(10,612)
Construction of new properties		-	(3,523)
Investment properties additions		(52)	-
Purchase of other fixed assets	15	(402)	(608)
Grants received		272	1,306
Finance income		361	279
		<u>(25,084)</u>	<u>(13,158)</u>
Cash flow from financing activities			
Finance charges		(14,028)	(6,717)
Financing repayment		(110,000)	-
Financing draw down		134,000	5,000
		<u>9,972</u>	<u>(1,717)</u>
Net change in cash and cash equivalents		10,202	12,406
Cash and cash equivalents at 1 April		53,554	41,148
Cash and cash equivalents at 31 March		<u>63,756</u>	<u>53,554</u>

The notes on pages 22 to 58 form part of these financial statements.

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

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 The Crichton, Bankend Road, Dumfries DG1 4ZS.

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 2020 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. 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. Following the outbreak of Covid-19 the DGHP Group has revised forecasts based on updated scenarios, including severe but plausible downsides.

The Board, after reviewing the DGHP Group and Company budgets for 2020/21 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 2020

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 in new build handovers;
- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles 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 £65.0m 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 the lender.

Consequently, the Board is confident that the Wheatley Group and 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.

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 2020

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 reliably. 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.

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 2020

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 2020

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 2020 (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.

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government and local authorities and contributes to the costs of housing properties.

HAG received is recognised as income in the Statement of Comprehensive Income when new build properties are completed or the capital work is carried out. HAG 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 2020 (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 DGHP VAT group. The majority of its income, including rental receipts, is exempt for VAT purposes, giving rise to no VAT liability.

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

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

				2020	2019 Restated
	Turnover	Operating Costs	Other gains and (losses) Investment properties	Operating surplus/(deficit)	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	44,560	(38,840)	-	5,720	20,021
Other activities (note 5)	3,935	(3,953)	-	(18)	377
Revaluation of investment properties (note 16)	-	-	319	319	291
Total	48,495	(42,793)	319	6,021	20,689
Total for previous reporting period	49,801	(29,403)	291	20,689	

Particulars of turnover, operating costs and operating surplus – Company

				2020	2019 Restated
	Turnover	Operating Costs	Other gains and (losses)	Operating surplus/(deficit)	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	44,560	(38,840)	-	5,720	20,021
Other activities (note 5)	4,016	(3,975)	-	41	312
Revaluation of investment properties (note 16)	-	-	355	355	293
Total	48,576	(42,815)	355	6,116	20,626
Total for previous reporting period	49,748	(29,415)	293	20,626	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (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	2020 Total £'000	2019 Restated Total £'000
Rent receivable net of service charges	41,883	1,334	484	43,701	42,353
Service charges	124	89	-	213	210
Gross income from rents and service charges	42,007	1,423	484	43,914	42,563
Less rent losses from voids	(708)	(50)	(135)	(893)	(764)
Net income from rents and service charges	41,299	1,373	349	43,021	41,799
Grants released from deferred income	-	-	-	-	5,048
Revenue grants from Scottish Ministers	770	-	-	770	347
Other revenue grants	-	769	-	769	763
Total turnover from affordable letting activities	42,069	2,142	349	44,560	47,957
Management and maintenance administration costs	(11,414)	(691)	-	(12,105)	(11,470)
Service costs	(122)	(64)	-	(186)	(192)
Planned and cyclical maintenance including major repairs costs	(6,126)	(2)	-	(6,128)	(3,041)
Reactive maintenance costs	(4,519)	(147)	(26)	(4,692)	(4,784)
Bad debts – rents and service charges	(674)	-	-	(674)	(634)
Depreciation of affordable let properties	(14,638)	(417)	-	(15,055)	(7,815)
Operating costs from social letting activities	(37,493)	(1,321)	(26)	(38,840)	(27,936)
Operating surplus from social lettings	4,576	821	323	5,720	20,021
Operating surplus/(deficit) from social lettings for the previous reporting period (restated)	18,655	1,071	295		

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

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

						2020	2019
	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs	Operating Surplus / (Deficit)	Restated Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role	-	-	-	-	(16)	(16)	(6)
Factoring	-	-	499	499	(619)	(120)	(112)
Investment property activities	-	-	628	628	(21)	607	72
Support activities	-	120	-	120	(244)	(124)	(130)
Agency/management services	-	-	46	46	(199)	(153)	(114)
New supply shared equity	-	-	1,979	1,979	(2,187)	(208)	-
Organisation restructuring	-	-	-	-	(377)	(377)	-
Environmental grants	-	-	408	408	-	408	428
Other income	-	-	255	255	-	255	347
Depreciation	-	-	-	-	(290)	(290)	(108)
Total from other activities	-	120	3,815	3,935	(3,953)	(18)	377
Total from other activities for the previous reporting period (restated)	-	115	1,731	1,846	(1,494)	352	

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

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

						2020	2019
	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs	Operating Surplus / (Deficit)	Restated Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role	-	-	-	-	(16)	(16)	(6)
Factoring	-	-	499	499	(619)	(120)	(112)
Investment property activities	-	-	576	576	(47)	529	-
Support activities	-	120	-	120	(244)	(124)	(130)
Agency/management services	-	-	46	46	(199)	(153)	(114)
Development activities for third parties	-	-	1,979	1,979	(2,187)	(208)	-
Organisation restructuring	-	-	-	-	(377)	(377)	-
Environmental grants	-	-	408	408	-	408	428
Other income	-	-	388	388	-	388	347
Depreciation	-	-	-	-	(286)	(286)	(101)
Total from other activities	-	120	3,896	4,016	(3,975)	41	312
Total from other activities for the previous reporting period (restated)	-	115	1,676	1,791	(1,480)	311	

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

6. Board members' emoluments – Group and Company

No Board members received remuneration (2019: nil). Board members were reimbursed for expenses of £6k (2019: £11k).

7. Key Management Emoluments – Group and Company

	2020 £'000	2019 £'000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	245	590
Pension contributions made on behalf of key management	33	52
Compensation for loss of office	25	30
Emoluments payable to the highest paid key management	105	143
Employer pension contribution	10	-
Total emoluments payable to highest paid key management	115	143

During the periods the key management's emoluments (excluding pension contributions and pay in lieu of notice) fell within the following band distributions:

	No.	No.
Nil to £10,000	1	-
£90,001 to £100,000	1	1
£100,001 to £110,000	1	1
£120,001 to £130,000	-	1

The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

There were five senior officers in post during the year:

Alex McGuire	Interim Chief Executive – left 28 February 2020
Jim Preston	Interim Director of Investment and Regeneration – left 17 January 2020
Matthew Foreman	Managing Director – joined 24 February 2020
Hugh Carr	Director of Finance – left 20 March 2020
Jayne Moore	Director of Housing Services

The services of the Interim Chief Executive and Interim Director of Investment and Regeneration were provided through an agency at a cost of £492k.

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

8. Employees - Group and Company

	2020	2019
	No.	No.
The average monthly number of full-time equivalent persons employed during the year was	199	190
The average total number of employees employed during the year was	216	206
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	7,234	6,215
Social security costs	650	615
Pension costs	866	880
Pension service cost	482	255
	<u>9,232</u>	<u>7,965</u>

9. Finance income

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank interest payable on deposits in the year	364	281	361	279
	<u>364</u>	<u>281</u>	<u>361</u>	<u>279</u>

10. Finance charges

	Group		Company	
	2020	2019	2020	2019
	£'000	Restated £'000	£'000	Restated £'000
Interest on loans	6,246	6,314	6,246	6,314
Amortisation of loan premium	(52)	(52)	(52)	(52)
Refinancing fees	6,299	-	6,299	-
Net interest charges on pension liability	94	63	94	63
	<u>12,587</u>	<u>6,325</u>	<u>12,587</u>	<u>6,325</u>

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

11. Tax on surplus on ordinary activities

Group	2020 £000	2019 £000
Total tax expense recognised in the Statement of Comprehensive Income:		
<u>Current tax:</u>		
Current tax on income for the year	-	26
Adjustment in respect of prior periods	(26)	(1)
	(26)	25
<u>Deferred tax:</u>		
Origination and reversal of timing differences	(5)	-
Effects of changes in tax rates	6	-
	1	-
Total Tax	(25)	25

The Company had no tax charge for the year (2019: 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	2020 £000	2019 Restated £000
Reconciliation of effective tax rate		
(Deficit)/surplus for the year	(6,177)	14,620
Total tax expense	(25)	25
(Deficit)/surplus excluding taxation	(6,202)	14,645
Tax using the UK corporation tax rate of 19% (2019: 19%)	(1,184)	2,783
Effects of:		
Charitable losses/(surpluses) not subject to tax	1,193	(2,757)
Adjustment in respect of prior periods	(22)	(2)
Qualifying charitable donations	(15)	-
Timing differences	(4)	1
Expenses not deductible	2	-
Tax rate changes	5	-
Total tax (credit)/expense included in Statement of Comprehensive Income	(25)	25

The Company has no tax charge for the year (2019: nil).

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

12. Auditor's remuneration

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

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Audit of these financial statements	65	35	43	23
Other services	-	2	-	1
	<u>65</u>	<u>37</u>	<u>43</u>	<u>24</u>

13. Financial commitments

Capital commitments – Group and Company

All capital commitments were as follows:

	2020	2019
	£'000	£'000
Expenditure contracted for, but not provided in the financial statements	10,665	21,803
Expenditure authorised by the Board but not contracted	1,405	16,068
	<u>12,070</u>	<u>37,871</u>

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 2020 (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:

	2020	2019
	Land and Buildings	Land and Buildings
	£000	£000
Operating lease payments due:		
Within one year	16	376
In the second to fifth years inclusive	506	288
Over five years	-	13
	<hr/>	<hr/>
	522	677

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 2020 (continued)

14. Social Housing Properties – Group and Company

	Social Housing Properties £'000	Housing Under Construction £'000	Total £000
Valuation			
At 1 April 2019 (restated)	349,193	6,489	355,682
Additions	23,808	1,455	25,263
Disposals	(2,623)	-	(2,623)
Revaluation	(12,539)	-	(12,539)
At 31 March 2020	<u>357,839</u>	<u>7,944</u>	<u>365,783</u>
Accumulated Depreciation			
As at 1 April 2019 (restated)	-	-	-
Charge for year	14,361	-	14,361
Disposals	(1,926)	-	(1,926)
Revaluation	(12,435)	-	(12,435)
At 31 March 2020	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value - Valuation			
At 31 March 2020	<u>357,839</u>	<u>7,944</u>	<u>365,783</u>
At 31 March 2019	<u>349,193</u>	<u>6,489</u>	<u>355,682</u>
Net Book Value – Cost			
At 31 March 2020	<u>212,659</u>	<u>7,944</u>	<u>220,603</u>
At 31 March 2019 (restated)	<u>203,909</u>	<u>6,489</u>	<u>210,398</u>

Total expenditure on repairs and capital improvements in the year on existing properties was £34.6m (2019: £18.4m). Of this, repair costs of £10.8m (2019: £7.8m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £23.8m (2019: £10.6m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £23.8m in the year include:

- £19.2m for component additions including:
 - £0.5m on bathrooms;
 - £0.7m on external environment;
 - £3.5m on external wall finishes;
 - £1.5m on heating system boilers;

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

14. Tangible fixed assets (continued)

- £3.6m on internal works and common areas;
 - £0.9m on kitchens;
 - £2.6m on mechanical, electrical and plumbing;
 - £1.9m on structure and roofs; and
 - £4.0m on windows and doors.
- The remaining balance of £4.6m of additions to existing properties not associated with a specific component includes £3.0m on void improvements and £0.3m of medical adaptations.

Additions to housing under construction include capitalised interest costs of £327k (2019: £403k). Interest has been capitalised at the weighted average interest cost for the DGHP Group of 3.83% (2019: 4.01%)

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 2020/21. The demolition programme identifies 128 (2019: 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 £357.8m. Housing under construction, with a NBV of £7.9m, is not included within this total.

Social housing properties have been valued by Savills UK) Limited, 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 2020 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 (2019: £3,924k). 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 5.50-6.00% have been used depending on the property archetype (2019: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of 2.0% in 2020/21 through to 2022/23 and CPI +1.00% thereafter for retained stock, in line with the Company's 30 year Business Plan (2020/21). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 2020 is shown below:

	Group 2020	Group 2019	Company 2020	Company 2019
Social Housing				
General needs	9,843	9,843	9,843	9,843
Supported housing	272	272	272	272
Housing held for long-term letting	10,115	10,115	10,115	10,115
Housing approved/planned for demolition	128	128	128	128
Total Units	10,243	10,243	10,243	10,243

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

15. Other Tangible Fixed Assets – Group

	Office Property £'000	Furniture, fittings & Equipment £'000	Total £'000
Cost or valuation			
At 1 April 2019 (restated)	120	3,407	3,527
Additions	61	341	402
Disposals	-	(51)	(51)
Revaluation	(61)	-	(61)
At 31 March 2020	<u>120</u>	<u>3,697</u>	<u>3,817</u>
Accumulated Depreciation			
At 1 April 2019 (restated)	-	2,860	2,860
Charge for year	5	285	290
Disposals	-	(52)	(52)
Revaluation	(5)	-	(5)
At 31 March 2020	<u>-</u>	<u>3,093</u>	<u>3,093</u>
Net Book Value			
At 31 March 2020	<u>120</u>	<u>604</u>	<u>724</u>
At 31 March 2019 (restated)	<u>120</u>	<u>547</u>	<u>667</u>
Net Book Value – Cost			
At 31 March 2020	<u>385</u>	<u>604</u>	<u>989</u>
At 31 March 2019	<u>329</u>	<u>547</u>	<u>876</u>

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

15. Other Tangible Fixed Assets – Company

	Office Property £'000	Furniture, fittings & Equipment £'000	Total £'000
Valuation			
At 1 April 2019 (restated)	120	3,342	3,462
Additions	61	341	402
Disposals	-	(51)	(51)
Revaluation	(61)	-	(61)
At 31 March 2020	120	3,632	3,752
Accumulated Depreciation			
At 1 April 2019 (restated)	-	2,805	2,805
Charge for year	5	281	286
Disposals	-	(51)	(51)
Revaluation	(5)	-	(5)
At 31 March 2020	-	3,035	3,035
Net Book Value			
At 31 March 2020	120	597	717
At 31 March 2019 (restated)	120	537	657
Net Book Value – Cost			
At 31 March 2020	385	597	983
At 31 March 2019	329	537	866

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

16. Investment properties - Group

	Properties held for market rent £'000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2019 restated	7,640	490	8,130
Additions at cost	52	-	52
Revaluation taken to operating surplus	354	(35)	319
At 31 March 2020	<u>8,046</u>	<u>455</u>	<u>8,501</u>
Net Book Value			
At 31 March 2020	<u>8,046</u>	<u>455</u>	<u>8,501</u>
At 31 March 2019	<u>7,640</u>	<u>490</u>	<u>8,130</u>

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Savills (UK) on 31 March 2020. Commercial properties were valued by an independent professional adviser, DM Hall, on 31 March 2020 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 2019 (restated)	7,595
Additions at cost	52
Revaluation taken to operating surplus	355
At 31 March 2020	<u>8,002</u>
Net Book Value	
At 31 March 2020	<u>8,002</u>
At 31 March 2019	<u>7,595</u>

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Savills (UK) on 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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	
	2020	2019	2020	2019
Mid Market Rent Properties				
Total Units	101	101	100	100

17. Work in progress

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Materials on site	272	-	255	-
Properties held for sale	-	2,226	-	2,226
	<u>272</u>	<u>2,226</u>	<u>255</u>	<u>2,226</u>

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

Properties held for resale relates to amounts due from third parties for their contractual share of the development costs incurred and not yet settled.

18. Debtors

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Arrears of rent & service charges	3,010	2,337	3,001	2,296
Less: Provision for bad and doubtful debts	(1,380)	(1,134)	(1,377)	(1,131)
	<u>1,630</u>	<u>1,203</u>	<u>1,624</u>	<u>1,165</u>
Prepayments and accrued income	568	602	568	602
Other Debtors	1,480	713	1,456	693
Due from other group companies	679	-	920	136
	<u>4,357</u>	<u>2,518</u>	<u>4,568</u>	<u>2,596</u>

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 2020 (continued)

19. Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
		Restated		Restated
	£'000	£'000	£'000	£'000
Trade creditors	5,831	2,379	5,536	2,350
Accruals	1,196	1,600	1,159	725
Deferred income	-	-	-	-
NSSE grant	-	940	-	940
Rent and service charges received in advance	396	467	395	467
Tax and social security	169	148	169	148
Other creditors	4,522	3,290	4,495	3,171
Corporation tax	-	26	-	-
Due to other group companies	224	-	577	802
	<u>12,338</u>	<u>8,850</u>	<u>12,331</u>	<u>8,603</u>

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	
	2020	2019	2020	2019
		Restated		Restated
	£'000	£'000	£'000	£'000
Loans	188,704	166,239	188,704	166,239
Deferred income	8,375	8,103	8,375	8,103
	<u>197,079</u>	<u>174,342</u>	<u>197,079</u>	<u>174,342</u>

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 2020 stood at £1,186k (2019: £1,239k) 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%

A new 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 2020 (continued)**

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

Dumfries and Galloway Housing Partnership Limited has secured £225.82m of its housing stock against these facilities. At 31 March 2020, 46% (£192.5m) of DGHP's housing properties remained unsecured.

Borrowings are repayable as follows

	2020	2019
	£'000	Restated £'000
In less than one year	-	-
In more than one year but less than five years	-	12,000
In more than five years	189,000	153,000
	<u>189,000</u>	<u>165,000</u>

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

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

Deferred income

Analysis of deferred income - Group

	Housing association grants £'000	Other grants/ income £'000	Total £'000
Deferred income as at 1 April 2019 (restated)	7,867	236	8,103
Additional income received	272	-	272
Released to Statement of Comprehensive Income	-	-	-
Deferred income as at 31 March 2020	8,139	236	8,375

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:	2020 £'000	2019 £'000
In less than one year (note 19)	-	-
In more than one year but not less than five years	8,375	8,103
In more than five years	-	-
	8,375	8,103

Analysis of deferred income – Company

	Housing association grants £'000	Other grants/ income £'000	Total £'000
Deferred income as at 1 April 2019 (restated)	7,867	236	8,103
Additional income received	272	-	-
Released to Statement of Comprehensive Income	-	-	-
Deferred income as at 31 March 2020	8,139	236	8,375

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:	2020 £'000	2019 £'000
In less than one year (note 19)	-	-
In more than one year but not less than five years	8,375	8,103
In more than five years	-	-
	8,375	8,103

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

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

Financial instruments - Group

	2020	2019
	£'000	£'000
Financial assets:		
<u>Measured at amortised cost:</u>		
Debtors and accrued income	4,357	2,518
Total	4,357	2,518

	2020	2019
	£ 000	Restated £ 000
Financial liabilities:		
<u>Measured at amortised cost:</u>		
Creditors, accruals and deferred income	20,739	16,706
Bank loans	188,704	166,239
Total	209,443	182,945

Financial instruments - Company

	2020	2019
	£'000	£'000
Financial assets:		
<u>Measured at amortised cost:</u>		
Debtors and accrued income	4,568	2,596
Total	4,568	2,596

	2020	2019
	£ 000	Restated £ 000
Financial liabilities:		
<u>Measured at amortised cost:</u>		
Creditors, accruals and deferred income	20,706	16,706
Bank loans	188,704	166,239
Total	209,410	182,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 2017. The next full actuarial valuation due at 31 March 2020 is underway with the results expected later in the financial year.

GMP

Guaranteed minimum pension (“GMP”) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the on-going indexation of GMPs, which could lead to inequalities between men’s and women’s benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Funds’ actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimated impact of GMP indexation is to increase the share of total liabilities in Dumfries and Galloway Pension Fund for Dumfries and Galloway Housing Partnership by approximately £15k.

McCloud/Sargeant Ruling

The benefit structure of the LGPS in Scotland was reformed in 2015 and transitional protections were applied to certain older members close to normal retirement age.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination.

The actuary for Dumfries and Galloway Pension Fund has assessed the likely impact of the ruling on the liability of the funds in conjunction with the principal actuarial assumptions used for the valuation, and has concluded that the ruling is estimated to increase the liabilities of Dumfries and Galloway Housing Partnership in the scheme by £122k.

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

21. Pensions (continued)

The liabilities disclosed for Dumfries and Galloway Pension Fund at 31 March 2020 include the estimated impact on liabilities of the GMP indexation and the McCloud/Sargeant ruling. Following the preparation of the pension valuations, the Scottish Public Pensions Agency commenced consultation on a proposed remedy in July 2020. Its effect on the currently recognised financial liability is not expected to be material and there is insufficient information on which to base a further adjustment.

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 2020	31 March 2019
Discount rate	2.45%	2.40%
Future salary increases	2.20%	3.30%
Inflation (CPI)	1.90%	2.50%

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2020 and 2019 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 21.1 years, female 23.4 years (2019: 21.8 and 24.3 years, respectively)
- Future retiree upon reaching 65: male 22.0 years, female 25.0 years (2019: 23.0 and 26.2 years, respectively)

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

	2020 £'000	2019 £'000
Opening defined benefit obligation	18,421	15,911
Current service cost	829	732
Past service cost (including curtailments)	137	-
Interest cost	451	438
Actuarial (gains)/losses	(3,435)	1,405
Contributions by members	126	126
Estimated benefits paid	(196)	(191)
Closing defined benefit obligation	16,333	18,421

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

21. Pensions (continued)

Movements in fair value of plan assets

	2020	2019
	£'000	£'000
Opening fair value of plan assets	14,678	13,706
Expected return on plan assets	357	375
Actuarial (losses)/gains	(1,881)	185
Contributions by the employer	484	477
Contributions by the members	126	126
Estimated benefits paid	(196)	(191)
Closing fair value of plan assets	13,568	14,678

	2020	2019
	£'000	£'000
Present value of funded defined benefit obligations	(16,333)	(18,421)
Fair value of plan assets	13,568	14,678
Net asset	(2,765)	(3,743)

Expense recognised in the statement of comprehensive income

	2020	2019
	£'000	£'000
Current service cost	345	255
Past service cost	137	-
Net interest on net defined benefit obligation (note 10)	94	63
	576	318

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £1,582k gain (2019: £1,220k loss).

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

	2020	2019
	£'000	£'000
Equities	9,226	11,155
Corporate bonds	4,206	2,202
Property	136	1,321
Cash	-	-
	13,568	14,678
Actual return on plan assets	(1,524)	560

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

22. Provisions for liabilities and charges - Group

	Deferred tax £'000
At 1 April 2019	95
Utilised	-
Added in the year	1
	<hr/>
At 31 March 2020	96
	<hr/>

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 Robert Carnochan
Mr Michael Greaves-MacIntosh
Mrs Rose Gowan
Mrs Annie Murray
Mr William Robertson
Miss Elaine Tyler

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2020 are as follows:

	2020 £'000
Rent charged during the year	25
Arrear balances outstanding at 31 March 2020	-

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 2020 (continued)

24. Cash flow analysis

Cash flow from operating activities – Group	2020	2019
	£'000	Restated £'000
(Deficit)/surplus for the year	(6,233)	14,625
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	14,651	7,562
(Increase)/decrease in trade and other receivables	(1,838)	1,170
Decrease in stock	1,954	550
Increase in trade and other creditors	4,428	2,573
Pension costs less contributions payable	482	255
<u>Adjustments for investing or financing activities:</u>		
Government grants utilised in the year	(940)	(6,019)
Interest payable	12,639	6,377
Interest received	(364)	(279)
Amortisation of loan	(52)	(52)
Gain on investment activities	(319)	(291)
Decrease/(increase) in valuation of office property	56	(5)
Loss on disposal of fixed assets	697	1,268
Net cash inflow from operating activities	25,161	27,734
 Cash flow from operating activities – Company	 2020	 2019
	£'000	Restated £'000
(Deficit)/surplus for the year	(6,166)	14,585
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	14,647	7,530
(Increase)/decrease in trade and other debtors	(1,972)	1,090
Increase in trade and other creditors	4,668	2,255
Decrease in stock	1,971	550
Pension costs less contributions payable	482	255
<u>Adjustments for investing or financing activities:</u>		
Government grants utilised in the year	(940)	(6,000)
Interest payable	12,639	6,377
Interest received	(361)	(279)
Amortisation of loan	(52)	(52)
Gain on investment activities	(355)	(293)
Decrease/(increase) in valuation of office property	56	(5)
Loss on disposal of fixed assets	697	1,268
Net cash inflow from operating activities	25,314	27,281

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

25. Prior year adjustments

Adjustments for change in accounting policy:

1) Valuation of housing properties and office accommodation

Previously social housing and office properties have been accounted for at cost. The Wheatley Group accounting policy is to carry social housing and office properties at valuation. An annual valuation is undertaken by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors. Social housing properties are valued on an Existing Use Value for Social Housing (“EUVS-H”) basis. The adjustment increases the carrying value of social housing properties and records an unrealised surplus on the valuation of social housing properties through the revaluation reserve. The movement is reported in other comprehensive income.

The same policy applied to office accommodation results in an unrealised loss on revaluation through the revaluation reserve.

2) Capitalisation of interest

An adjustment has been made to capitalise interest costs that are directly attributable to the carrying value of housing stock under construction in line with the Wheatley Group accounting policy.

3) Recognition of grant income

Previously housing properties were held at cost in the Statement of Financial Position and grant income received in relation to the development of new build properties was held in deferred income and amortised over the life of the completed assets to which it related. The policy for accounting for housing properties has been changed to carry these assets at valuation and in line with the Housing SORP 2014 paragraph 13.12 and FRS 102 Section 24, grant received by the DGHP Group is recognised as income in accordance with the performance model. Grant received in advance of the satisfaction of any performance conditions is held within creditors as deferred income. On the Statement of Financial Position, this has resulted in a release of deferred income from creditors due in less than one year and creditors due in more than one year in respect of completed properties and reported in revenue reserves. On the Statement of Comprehensive Income, grant income for completed new build properties is included in turnover for the year.

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

25. Prior year adjustments (continued)

4) Investment property

Properties held for mid-market rent were previously held in housing properties. These have been reclassified as investment properties, since they predominantly have the characteristics of market rather than social rented properties. This includes being let on short assured tenancies and a requirement for prospective tenants to be in employment when assessing tenancy applications. These properties are therefore not depreciated but subject to annual revaluation with any gain or loss taken

Prior year mis-statement:

5) Classification of financial instruments

FRS 102 requires financial instruments to be classed as basic or non-basic and carried at fair value. The fixed rate loan arrangement with Dexia had been classified previously as non-basic and a fair value adjustment had been recorded increasing the carrying value of the loan creditor in the 2018/19 financial statements by £1,083k, with a movement in the fair value adjustment of £860k for the year reported in the Statement of Comprehensive Income. This loan should have been disclosed as basic and carried at amortised costs. This adjustment reduces the amount due to the lender recorded in long term creditors by £1,083k and removes the movement on fair value in the year from the Statement of Comprehensive Income and revenue reserves. The loan with Dexia was repaid in full in December 2019. This resulted in an adjustment to reserves of £1,943k as at 1 April 2018.

6) Capitalisation of improvements

The company undertakes a programme of improvements to social housing properties on completion of a tenancy. The work undertaken means that properties being re-let are of a higher standard. This increases the rentals earned over the lifetime of the property and links directly to EUV – SH valuation methodology used to revalue social housing annually. FRS 102 requires that where it is probable that future economic benefits associated with an item will flow to an entity and the cost of such an item can be measured reliably that it should be capitalised. This was not the approach in the prior year when the improvement costs were expensed. Therefore, the prior year financial statements have been adjusted to recognise the addition to costs in the year and reduce maintenance expenses by £5,940k in the Group and £5,936k in the Company.

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

25. Prior year adjustments (continued)

Group

	Number	Reported in 2019 financial statements	Impact of accounting policy restatement	Impact of prior year mis- statement	Restated 2019 figures
		£'000	£'000	£'000	£'000
<i>Statement of Financial Position</i>					
Social housing properties	1,2,4,6	210,724	139,018	5,940	355,682
Other tangible fixed assets	1	876	(209)	-	667
Investment properties	4	595	7,535	-	8,130
Creditors: amounts falling due within one year	3	(9,592)	742		(8,850)
Creditors: amounts falling due after more than one year	3, 5	(239,877)	64,452	1,083	(174,342)
Other provisions	1	(118)	23	-	(95)
Total net assets			211,561	7,023	
Revenue reserve excluding pension reserve	2,3,4,5,6	18,083	57,145	7,023	82,251
Revaluation reserve	1	477	154,416	-	154,893
Total reserves			211,561	7,023	
<i>Statement of Comprehensive Income</i>					
Turnover	3	45,864	3,937	-	49,801
Operating expenditure	6	(35,343)	-	5,940	(29,403)
Other gains and losses	4	-	291	-	291
Finance charges	2	(6,728)	403	-	(6,325)
Valuation of office property	1	-	5	-	5
Movement in fair value of financial instruments	5	860	-	(860)	-
			4,636	5,080	
Surplus before tax		4,934	4,636	5,080	14,650

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

25. Prior year adjustments (continued)

Company

	Number	Reported in 2019 financial statements	Impact of accounting policy restatement	Impact of prior year mis- statement	Restated 2019 figures
		£'000	£'000	£'000	£'000
<i>Statement of Financial Position</i>					
Social housing properties	1,2,4,6	211,793	137,953	5,936	355,682
Other tangible fixed assets	1	866	(209)	-	(209)
Investment properties	4	-	7,595	-	7,595
Creditors: amounts falling due within one year	3	(9,343)	740	-	(8,603)
Creditors: amounts falling due after more than one year	3, 5	(239,859)	64,434	1,083	(174,342)
Total net assets			210,513	7,019	
Revenue reserve excluding pension reserve	2,3,4,5,6	18,090	56,751	7,019	81,860
Revaluation reserve	1	-	153,762	-	153,762
Total reserves			210,513	7,019	
<i>Statement of Comprehensive Income</i>					
Turnover	3	45,809	3,939	-	49,748
Operating expenditure	6	(35,351)	-	5,936	(29,415)
Other gains and losses	4	-	293	-	293
Finance charges	2	(6,728)	403	-	(6,325)
Valuation of office property	1	-	5	-	5
Movement in fair value of financial instruments	5	860	-	(860)	-
			4,640	5,076	
Surplus before tax		4,869	4,640	5,076	14,585

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

26. 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

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Banker

Royal Bank of Scotland
Glasgow Corporate Office
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