

# **Report and Financial Statements**

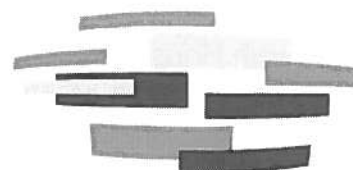
## **For the year ended 31 March 2016**

**Company Number: SC329031**

**Charity Number: SC038584**

**Property Factor Registration Number: PF000152**

**Scottish Housing Regulator Registered Number: 362**



**river clyde homes**

**River Clyde Homes  
Report and Financial Statements  
For the year ended 31 March 2016**

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**Registration Particulars:**

Register of Companies	Companies Act 2006 Registered Number: SC329031
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registration Number: 362
Office of the Scottish Charity Regulator	Charity and Trustee Investment Act (Scotland) 2005 Scottish Charity Number: SC038584

**Principal Office and Registered Address:**

Roxburgh House  
102-112 Roxburgh Street  
Greenock  
PA15 4JT

## RIVER CLYDE HOMES

### MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

#### FOR THE YEAR ENDED 31 MARCH 2016

##### Management Committee

The strategic leadership of the Company is provided by a Board of twelve members. The Board is supported by a Chief Executive and three Directors, the Executive Management team. The full list of Board members during the period to 31 March 2016 is as follows:

Name	Date of Appointment / Resignation
Wilson Dunlop (tenant)	3 <sup>rd</sup> December 2007
Katrina Anderson (tenant)	3 <sup>rd</sup> December 2007
Alan Duncan	18 <sup>th</sup> May 2010
Elizabeth Grant (tenant)	18 <sup>th</sup> October 2011
Cllr Stephen McCabe	11 <sup>th</sup> September 2012
Cllr Joe McIlwee	11 <sup>th</sup> September 2012
Cllr Ronald Ahlfeld	11 <sup>th</sup> September 2012
Cllr Christopher McEleny	11 <sup>th</sup> September 2012
Craig McGinn	18 <sup>th</sup> March 2014
Albert Henderson (Chair)	18 <sup>th</sup> March 2014
Lynn Wassell	7 <sup>th</sup> June 2012 / Resigned 4 <sup>th</sup> March 2016
Jillian Moffat (Vice Chair)	16 <sup>th</sup> September 2014

All tenancies for the above tenant members of the Board are on Scottish Secure Tenancy Agreements in terms of the Housing (Scotland) Act 2010 and these members cannot use their position on the Board to their advantage. Any transactions with Inverclyde Council are made at arm's length, on normal commercial terms, and the Board members who are also councillors cannot use their position on the Board to their or the Council's advantage.

The Company is limited by guarantee and does not have any share capital. The liability of Board members is limited to £1 each. The executive officers of the Company hold no interest in the Company's share capital and although not having the legal status of "Director" they act as executives within the authority delegated by the Board. It is the responsibility of the Board to approve the vision, business plan and priorities of the Company. They also monitor the operational activities of the Company. The Board is accountable to the wider membership and as at 31 March 2016, River Clyde Homes had 157 members. The members of the Board are unpaid.

In September 2015 Albert Henderson (former Vice Chair) was appointed Chair of the Board and Jillian Moffat was appointed Vice Chair. Lynn Wassell resigned from her post as Chair of the Board after more than three years of service. This followed her appointment as Chief Executive of Maryhill Housing Association.

In May 2016, two additional appointments were approved by the Board. Marilyn Beveridge was appointed as a casual Board Member and Jim Strang was appointed as a co-optee. Both Marilyn and Jim have significant experience of the housing sector.

**RIVER CLYDE HOMES**  
**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Executives**

The executive officers of the Company during the year to 31 March 2016 were as follows:

<b>Position</b>	<b>Name</b>	
Chief Executive	Kevin Scarlett	
Director of Business Support	James Aird	Resigned 29 July 2015
Director of Property and Development Services	Willie Croft	Resigned 17 July 2015
Executive Director, Customer Services	Sandra McLeod	
Executive Director, Group Services	Richard Turnock	Appointed 23 December 2015

A new Director of Property and Business Development (Gary Wilson) was appointed on 16 May 2016, completing the recruitment of the executive team.

The executive officers are responsible for achieving the vision, strategic outcomes, priorities and plans of the Board confirmed in its business plan; they also ensure high standards of professionalism, performance and ambition in their work.

**Advisers**

The advisers of the Company during the year ended 31 March 2016 were as follows:

**Bankers**

Royal Bank of Scotland  
 Kirkstane House  
 139 St Vincent Street  
 Glasgow  
 G2 5JF

**Solicitors**

Harper McLeod LLP  
 The Ca'd'oro  
 45 Gordon Street  
 Glasgow  
 G1 3PE

**Auditors**

RSM UK Audit LLP  
 Third Floor Centenary House  
 69 Wellington Street  
 Glasgow  
 G2 6HG

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Introduction**

The Board presents its Annual Report together with the audited financial statements for the year ended 31 March 2016. River Clyde Homes ("the Company") was incorporated on 9 August 2007 and it was registered as a Registered Social Landlord on 3 December 2007.

**Principal Activities**

The principal activity of the Company is the provision of social housing throughout Inverclyde. Employing over 240 staff (including 55 specialist trades operatives) the business owns and manages circa 6,000 homes and provides factoring services to a further 2,250 homes.

**Vision and strategy**

Our vision is to provide quality, affordable housing in neighbourhoods we can be proud of, and to deliver excellent services that make a real difference to our customers. Our five-year business plan sets out our strategic plan to deliver this vision and highlights the following key strategic outcomes that the Board has targeted for delivery by 2019:

- An excellent customer experience
- Sustainable homes and places
- Improved energy efficiency and reduced fuel poverty
- An efficient Company
- Safer and better supported customers
- A diverse, committed and empowered workforce

Our business plan also sets out how we are responding to a dynamic external environment to ensure we will improve our services, the quality of our housing offer and how we make a valuable contribution to help create sustainable communities and places across Inverclyde.

The Business Plan priorities are summarised below.

*An Excellent Customer Experience*

- Improve customer access to services
- Improve the customer experience of our services
- Improve our performance management and implement customer led scrutiny
- Receive external recognition and accreditation for our customer services

*Sustainable Homes and Places*

- Achieve the SHQS for all our homes by 2016
- Maximise funding for the investment needs of all our schemes and estates
- Improve the popularity of the neighbourhoods we work in
- Develop more effective ways of managing neighbourhoods with our customers and partners

*Improved Energy Efficiency and Reduced Fuel Poverty*

- Reduce the number of our customers experiencing fuel poverty
- Reduce our carbon emissions

# RIVER CLYDE HOMES

## REPORT OF THE MANAGEMENT COMMITTEE

### FOR THE YEAR ENDED 31 MARCH 2016

#### *An Efficient Company*

- Implement improved and more effective business and information systems
- Maximise the resources we have available to deliver our services and use them efficiently and effectively
- Improve our value for money and achieve a year on year minimum 3% efficiencies
- Achieve CPI only rent increases from 2019

#### *A Growing Company*

- Develop and manage new affordable homes for rent and sale
- Exploit new business opportunities and increase the commerciality of the company, working beyond Inverclyde's boundaries where appropriate to do so
- Seek new housing partnerships to ensure the continuous improvement of our services, our value for money and to maximise our investment opportunities

#### *Safer and Better Supported Customers*

- Work with partners and customers to reduce fear of crime and tackle anti social behaviour
- Help to reduce unemployment and financial exclusion
- Deliver fair and equitable services that are tailored to effectively meet the needs of our customers
- Seek to minimise the impact of welfare reform on our customers

#### *A Diverse, Committed and Empowered Workforce*

- Develop a flexible and multi skilled workforce
- Develop a positive staff culture and Implement the River Clyde Academy
- Implement a new, fairer pay line
- Achieve external recognition and accreditation for our organisational development

#### **Core Values**

All of our activities are based around five important values:

- Always looking to improve
- Be alive to new ideas
- Treat each person as a VIP
- Stay driven by our customers' dreams of a better life
- Be ambitious for our neighbourhoods

These values are embedded into our culture to ensure that we achieve our vision.

#### **Business Model**

Management is making a number of changes to the way the Company conducts its business. These changes include a number of business transformation initiatives as well as organisational restructure.

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

Transformation initiatives include:

- Significant system changes and enhancements including the implementation of a new Housing Management System
- Opening new customer hubs
- Preparations for introduction of a new 24/7 customer service
- Development of the River Clyde Academy (to develop staff training)
- Cultural change
- Assessment of business diversification opportunities

The benefits to customers include:

- Improved customer access to our services
- CCTV
- Community WiFi (John Street)
- Enhanced reactive repairs service
- Reduction in complaints

A proposed organisational restructure was presented to staff in February 2016. The Company is in the process of finalising recruitment to the amended structure, which will enable the delivery of continuing customer service improvements while enhancing Value for Money (VFM). For instance, productivity improvements within reactive repairs will provide greater capacity that can enable more work to be done in-house rather than outsourced. Management is endeavouring to minimise the number of redundancies arising from the restructure.

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**STRATEGIC REPORT**

**Overview**

The finances of the organisation are governed by the detail contained in the Financial Plan which is reviewed regularly and approved by the Board annually. The Financial Plan is the basis of the Company's annual budget and Financial Covenants for our lenders.

Within the last financial year, over £15 million was spent on major works to our existing stock. In addition, 16 homes were built on our site at Woodhall Terrace in Port Glasgow and all properties were registered in February 2016. In January 2016, the Scottish Government agreed to transfer 9 homes previously held as Shared Equity over to River Clyde Homes for Social Rent. The Scottish Government also agreed to fund our latest new build project at Bay Street in Port Glasgow. Preliminary works are already under way with the intention to build 41 homes by the summer of 2017.

Ongoing housing development is funded through a combination of public and private finance. The Company has a facility agreed with a consortium of lenders amounting to a maximum of £65 million.

The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for registered social landlords 2014 for the first time. Net assets and other comparative figures have been updated accordingly. See note 21 to the financial statements for further detail.

**Financial Highlights**

*Statement of Comprehensive Income*

Turnover of £27.8 million relates mainly to the income from the letting of properties which accounts for £26.8 million (96%) of this total. The balance of income of £1.0 million relates to support activities, Homefact, BIG lottery fund and Scottish Legal Aid Board fund.

Total Operating Expenditure was £26.5 million, consisting of:

- Management and maintenance admin costs £10.2 million
- Planned and cyclical maintenance £6.2 million (major repairs expenditure capitalised is detailed in note 3 on page 37)
- Reactive maintenance costs £5.1 million
- Other costs £5.0 million

The operating surplus for the year ended 31 March 2016 was £1.3 million and the deficit on ordinary activities before actuarial gain on pension scheme was £0.4 million.



**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**STRATEGIC REPORT (continued)**

*Statement of Financial Position*

Total net assets at the year end amounted to £22.5 million. The key asset categories include:

- Housing property                      £131.7 million
- Rent debtors (gross)                  £1.9 million
- Cash deposits                            £12.3 million

The housing stock was transferred to River Clyde Homes at nil value. As our major improvement and new build programme has progressed, the net book value of the housing properties held for letting or construction has increased to £131.7 million.

Offsetting the rental debtor of £1.9 million is a bad debt provision of £1.6 million. This provision relates to current and historical (pre transfer) arrears.

The key liabilities include:

- Total deferred grant                  £74.5 million
- Total loans                                £35.4 million

The deferred grant relates to Scottish Government grants in respect of SHQS works, New Build projects and Aids and Adaptations development. £1.1 million of the deferred grant is due within one year; the balance of £73.4 million is due after more than one year.

*Statement of Cash Flows*

The net cash inflow from operating activities was £10.2 million. A further £8.1 million net inflow was generated from financing activities. Net cash outflow from investing activities totalled £16.0 million.

**Financing and treasury management**

Our housing properties are financed principally by a combination of housing association grant, bank borrowings and cash generated from trading surpluses. Bank borrowing facilities comprise a mixture of fixed rate and short term floating rate loans. The funding facility from our lenders allows a maximum loan drawdown of £65 million.

The Company, as a matter of policy, does not enter into transactions of a speculative nature.

In April 2011, to minimise the exposure to interest rate variations, the Company entered into a £48 million hedging agreement, where a predetermined amount will be borrowed every April at rates which will be fixed until 2029. The amount required to be drawn down based on this hedging agreement was £35.3 million. No additional short-term borrowing was required. In April 2016 a further £5.9 million was drawn down based on the hedging agreement.

We have in place a regime whereby sufficient cash is held to meet our immediate obligations. During the financial year, this approach minimised additional borrowing. Additional borrowing from the agreed facility will be required as the investment programme progresses.

**RIVER CLYDE HOMES**  
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**FOR THE YEAR ENDED 31 MARCH 2016**

**STRATEGIC REPORT (continued)**

**Credit Payment Policy**

The Company's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 28 days.

**Planning for the future**

The assumptions underpinning all business plans (including the five year plan, thirty year business plan and financial plan) are reviewed and validated on an annual basis. One core assumption includes the spending requirement associated with the Asset Management Strategy. For example development expenditure on new build, ongoing investment to maintain Scottish Housing Quality Standards (SHQS) and meeting the requirements of the Energy Efficiency Standard for Social Housing (ESSH).

In addition, all financial plans are subject to appropriate stress testing and sensitivity analysis. The financial projections confirm that there is adequate financial resource available to deliver the objectives of the business plan.

**Risk Management**

Management adopts a robust risk management approach which identifies and records the risks facing the Company and the action plan by which risks are managed.

The principle Strategic risks facing the company are:

- Lack of access to capital or liquidity
- Inadequate asset management strategy
- Welfare reform changes increasing risk of bad debts and reduced income
- Failure to achieve a competitive housing proposition for our customers
- Failure to achieve VFM
- Ineffective planning for diversification

The Board has approved action plans that will mitigate these risks. For instance, management has commenced discussions with lenders with a view to concluding the restructuring and refinancing of debt sometime during 2017. Our Asset Management Project is addressing the asset management strategy, which will incorporate a detailed review of the Company's estate (which will inform our future investment strategy). Our Welfare Reform project group participates in working party groups to monitor welfare developments and impact of changes.

To mitigate the risk of not achieving VFM, our chief executive chair's the Value for Money Scotland Club (Housemark Initiative). This group aims to pioneer VFM reporting within Scotland. Management will also develop its own VFM strategy which will be supported by an enhanced procurement strategy with appropriate targets incorporated into Financial Plan and budgets

To ensure we have a competitive housing proposition for customers we will ensure our Business Planning activity includes ongoing assessment of customer need which will inform our stock mix. Management will regularly monitor product offerings for relevance and adequacy while taking account of demographics and competitor propositions.

**RIVER CLYDE HOMES**  
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**FOR THE YEAR ENDED 31 MARCH 2016**

**OPERATING REVIEW**

**HOUSING MANAGEMENT**

**Key Performance Indicators (KPIs)**

KPIs are formally reviewed quarterly by the Board and included in the Annual Return on the Charter (ARC) to the Scottish Housing Regulator and Customers.

<b>KPI</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
New Lets	202	54	58	31	45
Re-lets	413	447	471	525	482
Average Re-let days	155	94	133	143	102
% of new tenancies sustained > 1 year	87%	95%	79%	88%	91%

**Rent consultation**

With the continuing economic situation still having a significant impact on many customers, the Board agreed to rearrange the Company's finances in such a way that all current services could be maintained (while still being able to introduce the proposed improvements customers wanted) while minimising rent increases. At the rent consultation in December 2015 a majority of customers who participated in consultations agreed to proposals to restrict the rent increase to the rate of inflation. This resulted in an inflationary (RPI only) rent increase of 0.7% from April 2016. The Board considers that this is a significant contribution to providing value for money to our customers.

**Introduction of Customer Access Hubs**

November 2015 saw the opening of our new Customer Access Hubs in Greenock and Gourock. We also relocated our service in Port Glasgow within the DWP office which has demonstrated improved customer access and increased satisfaction with increased footfall. Generally, footfall has been very encouraging, although the Gourock service will require further publicity as usage has not been as high as anticipated.

**Lettings**

The number of new housing registrations increased this year with 1,545 applications being received. The average days to let have reduced due to a number of changes, including:

- Pre-letting activity and void marketing commencing during the outgoing tenant's notice period
- Marketing voids across a variety of platforms including Gumtree, RightMove and Twitter
- New marketing venues at Customer Access Hubs in Greenock, Port Glasgow and Gourock
- Increase in leads from encouraging expressions of interest in lower demand voids via Housing Options interviews
- Leads from Customer Contact Campaigns where customers on housing lists are proactively contacted and encouraged to consider housing in all areas available.

We have also taken advantage of the use of letting initiatives to create sustainable new communities at the new-build in Woodhall, Port Glasgow and Larkfield, Greenock.

# RIVER CLYDE HOMES

## REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2016

### **Extra Care**

Our sheltered housing service was inspected in June 2015 where we received improved grades on the previous inspection of 2013, realising an excellent grade (6) for Quality of Care and Support, and two very good grades (5) in Quality of Staffing and Quality of Management and Leadership. The Care Inspectorate acknowledged the efforts of the team delivering services in how well they created in all complexes, a safe environment and enhanced the health and wellbeing and quality of life to service users.

### **Neighbourhood Relations**

During the year, we investigated 718 cases and resolved 91.5% of these within locally agreed targets, we progressed the Police Partnership Initiative over 35 weekends, resulting in additional reassurance police patrols at key times within designated areas. In addition to the patrols, specific priority addresses were also identified by the team on a weekly basis and tasked for additional prevention/intervention visits.

### **Cleaner Greener**

We received an Employability Project Grant from Scottish Government People Communities Fund of £149,000 which allowed us to produce training and employment outcomes for local people. We also contributed £100,000 which was used for materials. We carried out "Working In Neighbourhoods" initiatives which included staff volunteering to do works in local areas and Your Choice grants being awarded to help local communities to the sum of £10,000.

### **Community Wi-Fi Pilot**

As part of the John Street Investment Programme, we installed Community Wi-Fi. This basic Internet service is free for our customers and allows our staff to get Wi-Fi when they are in the area. Approximately 50% of our customers in John Street have taken up this service since its introduction in December 2015 and a marketing drive is underway to encourage further take-up.

### **Welfare Reform**

The Government has introduced further welfare reforms that will have a direct impact on both River Clyde Homes and customers. Changes introduced in this year included:

- The introduction of Universal Credit ("UC")
- The commencement of the migration of Disability Living Allowance ("DLA") claimants to Personal Independence Payments ("PIP")
- The announcement of further welfare reforms in the Welfare Reform & Work Bill for example lowering of the Benefit Cap and a cap on the level of housing support payable to LHA rates.

As at 31 March 2016, a total of 846 River Clyde Homes tenants were affected by the Social Sector Size Criteria, more commonly known as 'bedroom tax'. Inverclyde Council fully mitigated the impact of the Bedroom Tax in 2015/16 by paying 100% of the shortfall in Discretionary Housing Payments (DHP). Universal Credit was introduced in October 2015 to Inverclyde for single claimants who are fit for work, that is, those who would have previously claimed Job Seekers Allowance. As at 31 March 2016, a total of 39 tenants were claiming Universal Credit.

## RIVER CLYDE HOMES

### REPORT OF THE MANAGEMENT COMMITTEE

#### FOR THE YEAR ENDED 31 MARCH 2016

##### **Pollok Credit Union**

During the year we explored a solution for UC claimants to allow a simple way for them to pay their rent to us. Pollok Credit Union was identified as a solution and a new account is being launched in 2016/17. The account will offer the facility for claimants on UC to receive payments to the account with Housing Costs deducted at source and paid to us to cover rent charge. The account will be operated by our One Call staff from the Clyde Square Hub.

##### **Supporting Inverclyde Future Skills (“SIFS”)**

The SIFS service received recognition from the Scottish Government during the year. The Government’s Digital Participation Team was interested in the work that SIFS do to tackle social isolation via promotion of digital skills. The Government expressed an interest in partnership working with SIFS whilst advising they could potentially provide some financial assistance with marketing for the project. Examples of our success for this initiative included:

- 1,399 customers participated in drop-in sessions
- 439 received one to one IT support
- 77 received one to one budgeting support

##### **Welfare Reform Project Team**

To mitigate the risks associated with welfare reform we achieved the following:

- The roll-out of Welfare Reform Tenancy Audits to over 1200 potential ‘at risk’ customers with over 90 customers identified as ‘at risk’ and receiving dedicated support
- Training of over 190 of our staff in UC and introduction of a communications plan, delivered by Welfare Benefits Officers for all front line staff to keep them informed of changes
- Welfare Benefits Officers: engaged with 512 customers resulting in over 785 appointments generating a total financial gain of over £1.4 million
- Extra Care Plus: engaged with 474 customers generating a total financial gain of over £1.5 million

## **ORGANISATIONAL DEVELOPMENT**

##### **Attendance at Work**

Sickness absence was 4.8% for the year ended 31 March 2016. A new Occupational Health provider was procured at the end of 2015 to assist management and staff on managing and improving attendance.

##### **Health and Wellbeing**

Westfield Health Care plan was continued for all staff during the year, providing health care cash back benefits on optical, dental and therapy treatments. The Rewards Scheme, the on-line shopping, leisure breaks and activity discount benefits website for members was also continued for the last year with employees benefitting from a range of discounted benefits. A new Occupational Health Contract with dedicated nursing support was introduced in November 2015 to give staff access to nursing advice from day one absence and continued nursing advice until a return to work was established.

##### **Awards and recognition**

The Healthy Working Lives Gold Award was maintained, which demonstrates the commitment and enthusiasm shown by employees in promoting health and wellness. The Living Wage Accreditation was maintained for a third year.

## **RIVER CLYDE HOMES**

### **REPORT OF THE MANAGEMENT COMMITTEE**

#### **FOR THE YEAR ENDED 31 MARCH 2016**

##### **Learning Opportunities**

An improved Health & Safety programme and refresher training for Property Care operatives and Caretakers took place throughout the year. SVQ Level 3 and 4 qualifications for One Call staff were achieved. The Leadership Programme was temporarily suspended pending the appointment of the new management team and confirmation of the new organisational structure. Once the restructure is confirmed the programme will recommence as a high priority for the Academy.

##### **Partnership**

We continued to promote and maintain an effective relationship with our trade union partners through partnership working, especially during the consultation on the new organisational structure. Regular meetings of the trade union Partnership Forum took place throughout the year and were attended by representatives from the four recognised trade unions.

##### **PATH Trainee**

The Positive Action through Housing ("PATH") Trainee was successful in gaining her CIH Level 4 Diploma in Housing and is now putting her theory into practice on her workplace placement and gaining housing management experience in different teams.

##### **Equality, Diversity and Inclusiveness**

Promoting an organisational culture that promotes equal opportunities is central to our strategic policy framework. Indeed, this commitment is embedded throughout all of our employment policies and procedures. For example, our employment and recruitment policies promote opportunities for people to apply for employment from all communities. Our policies also promote opportunities for people traditionally disadvantaged in securing employment to apply, for instance, for people who have a disability. In order to monitor how well we are promoting equal opportunity in practice, we have established a performance management system that assesses equality issues in respect of: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, and sexual orientation.

#### **PROPERTY SERVICES**

##### **Investment**

The Scottish Housing Quality Standard ("SHQS") was introduced by the Scottish Government in 2004 and sets a standard which all RSL and local authority housing stock must meet.

In order to achieve SHQS and as part of the Transfer Agreement, we receive an annual grant subsidy from the Scottish Government. The grant received contributes not only to upgrading the sustainable stock to SHQS compliance levels, but also contributes towards the cost of demolishing unsustainable stock.

## RIVER CLYDE HOMES

### REPORT OF THE MANAGEMENT COMMITTEE

#### FOR THE YEAR ENDED 31 MARCH 2016

For the year ended 31 March 2016, the available grant, expenditure and grant claimed are detailed as follows:

	Available Grant	Expenditure	Grant Claimed
Improvements	£0.5 million	£15.7 million	£0.5 million
Asbestos	£1.4 million	£1.0 million	£1.0 million

There are five key elements to the SHQS. Properties must:

- Be above the tolerable standard
- Be free from serious disrepair
- Be energy efficient
- Have modern facilities
- Be healthy, safe and secure

As at the end of March 2016, our SHQS compliance was 90.15%. The Regulator has agreed that full SHQS compliance will be targeted by 31 March 2017. The bulk of the remaining units have categorized as "in abeyance" with the regulator's agreement. The projects in this category are the Broomhill community project and Neil Street project.

Our investment in stock has been reviewed in line with our "Sustainable Homes and Places Asset Management Strategy. Our Board has agreed to direct investment into retained stock to a level that improves the appearance and performance of buildings thereby making them as future-proof as possible.

Broomhill is an area in Greenock that has declined in popularity in recent years. The Broomhill Regeneration Project is now underway. The area was originally built over 50 years ago and has 667 properties. As well as the comprehensive installation of External Wall Insulation, a new state of the art Biomass district heating system is to be installed in 607 properties. The heating project is expected to be complete during September 2016. This project is partially funded by ECO funding and HEEPS/ABS and Support for Owners. All external works should be complete by December 2016, with the internal refurbishment works commencing in May 2016. A comprehensive environmental programme will also start in late 2016. In addition, 60 properties will be demolished at 89-105 Drumfrochar Road.

#### **Energy Efficiency**

The majority of our stock has double glazed windows and full central heating systems. An extensive programme carried out in the decade prior to stock transfer through the Scottish Government HECA grant award, has ensured the majority of the stock has hot water tank and pipe insulation, loft insulation and a significant number of properties with cavity wall insulation. A window replacement programme has been identified for 2016/17 to maintain standards.

During the year, we commenced a further gas supply project in Port Glasgow (Auchinbothie Road area). We plan to install gas supply for approximately 200 tenants and provide the opportunity for 100 owners to benefit from natural gas. The project is due to be completed during 2016/17.

## **RIVER CLYDE HOMES**

### **REPORT OF THE MANAGEMENT COMMITTEE**

#### **FOR THE YEAR ENDED 31 MARCH 2016**

These projects all help to sustain communities, reduce fuel poverty and help reduce carbon emissions. The projects are complemented by our own funding to enable our local community energy advice Company to offer free and impartial energy advice and advocacy support to householders to allow people to get the best from their heating systems and insulation and to keep bills as low as possible.

#### **Gas Safety**

We have a legislative obligation to maintain all gas appliances within our properties. This maintenance obligation extends to an annual inspection and service of each appliance, with appropriate certification being issued by a registered Gas Safe engineer. This obligation excludes appliances installed by tenants, for example gas cookers.

As at 31 March 2016, 99.89% of applicable appliances had a valid safety certificate. A robust escalation procedure is in place to ensure access to all properties is achieved in advance of the expiry date of the safety certificate. When deemed necessary, this procedure includes forcing access to properties. This process has been a success and has over the course of the year allowed us to extend the gas servicing cycle to 11 months up from 10 months which will offer savings over the longer term without compromising quality or legislative requirements.

#### **Asbestos**

We employ a dedicated member of staff who ensures asbestos related information in the Asset Management System is correct and updated. This enables ready access to the correct information, allowing re-inspections to be carried out to the required frequency. Refresher Asbestos Awareness and Duty to manage training is currently ongoing for relevant staff. An Asbestos information leaflet was distributed to all our Hubs and is included within welcome packs to new tenants.

#### **Asset Management System**

During the year further progress was made with our Asset Management System, with 80% of stock being surveyed at April 2016. We are on track to complete a 100% physical survey of stock by 2017.

The Service Inspection Module incorporates all of our planned and preventative maintenance inspections and has enabled enhanced resource planning. It also provides programme scheduling and monitoring.

In 2015/16, our Asset Management System was utilised to store other records against our properties including, electrical test records, emergency lighting test records, EPC certificates and Aids and Adaptions works. We plan to expand the use of this functionality to include all property related information such as photographs and drawings.

### **REGENERATION AND BUSINESS DEVELOPMENT**

#### **Building for the Future**

Nine shared equity homes within our Larkfield development where unsold and it was agreed with the Scottish Government that we would make these houses available for social rent. All of these homes were let by the end of the financial year.



**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

Our development of 20 new build homes at Woodhall Terrace completed on schedule in April 2015 and our third Woodhall phase, comprising 16 houses at Brightside Avenue, commenced in June and completed in March 2016.

We spent the year planning the development of our site at Bay Street Port Glasgow and we were pleased to receive Planning Permission in the final quarter of 2015/16. Some works to prepare the site for an early start in 2016/17 were carried out by our developer, Cullross Limited, including the remediation of some Japanese Knotweed, the removal of advertising hoardings and shrubs and vegetation within the site.

**Port Glasgow and East Greenock**

Community events have been held with residents at Dubbs Road and Highholm Street (both Port Glasgow) to allow us to draft neighbourhood blueprints for these areas. The blueprints were actioned and are being monitored on an ongoing basis.

As intended, following completion of the physical works at Belville Drive, management of the Belville Community Garden and the Community Garden Officer transferred from River Clyde Homes to the Belville Community Garden Trust.

Door entry systems were fitted closes re-roofed and insulation render installed to the blocks in our Major Intervention Area at John Street, Greenock. In addition, environmental improvement works commenced on the front and rear garden areas.

**Demolition**

As part of our stock re-profiling, we demolished 137 during the year. The units demolished were in Oronsay, Nairn Road and at Hawick Court.

**Local Employment Opportunities**

We continue to operate with Inverclyde Council, James Watt College, Job Centre Plus, local business, Skills Development Scotland and Riverside Inverclyde to maximize the scope for local employment and success in tendering for contracts in Inverclyde. Significant training has been given to ensure that local unemployed people who are interested in construction are able to compete for arising opportunities, and also that local companies are aware of tender opportunities from River Clyde Homes, and its partners, as well as how to complete procurement paperwork.

River Clyde Homes Framework contractor Wates employed two local people from Inverclyde to work with them on the River Clyde Homes SHQS works together with two trainees. Everwarm also employed two local people in our project at John Street, Greenock. A further four employment opportunities for Inverclyde residents were created by British Gas on our Broomhill project.

CCG (Scotland) Ltd exceeded the number of employment opportunities on our project at the third phase of Woodhall taking on two apprentices instead of one. In addition, other local workers were employed, training places were given to building students from the local college and two River Clyde Homes apprentices were given the opportunity to work on the new build houses as part of Phase 3 Woodhall.

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Maintenance**

During 2015/16, our maintenance service carried out a Vanguard "Systems Thinking" review of how we operate. This included setting up an experiment team and a new way of working. For example, we reclassified how we measure, record and complete repairs. One of the key focuses was on appointing repairs at a time to suit the customer.

We received a total of 21,518 repairs orders in 2015/16, a decrease of 3,057 (14%) from the previous year.

Emergency repairs showed an increase of 8 percentage points from 20% in the year 2014/15 to 28% in 2015/16.

Performance for jobs completed within target time across all repair categories is shown below

	2011/12	2012/13	2013/14	2014/15	2015/16
Emergency repairs (including callouts)	98%	95%	99%	99%	99%
Routine repairs (all)	94%	83%	91%	97%	78%
Repair by appointment	73%	73%	96%	99%	86%
Right First Time	n/a	n/a	79%	93%	86%

**Going Concern**

The Management Committee has reviewed the results for this year and has also reviewed the financial projections for the next five years. It, therefore, has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

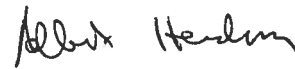
**Information for auditors**

As far as the Board members are aware at the date of approval of these financial statements there is no relevant audit information of which the auditors are unaware and the Board members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

**Auditors**

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), has indicated its willingness to continue in office.

Signed on behalf of the Board:

  
ALBERT HENDERSON

on:

16/8/2016

## **RIVER CLYDE HOMES**

### **STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES**

#### **FOR THE YEAR ENDED 31 MARCH 2016**

Company law requires the Board to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company at the end of the period and of the surplus or deficiency for the period then ended.

In preparing those financial statements, the Board is required to:

- select suitable accounting policies, as described on pages 29 - 35, and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Registered Association's Determination of Accounting Requirements 2014 and the Housing (Scotland) Act 2010 and the Housing Statement of Recommended Practice Accounting by registered social housing providers 2014 (SORP). The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## RIVER CLYDE HOMES

### MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2016

The Board acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

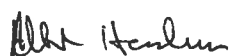
- the reliability of financial information used within the Company or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets;
- experienced and suitably qualified staff take responsibility for important business function; annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the period and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures from the Board members;
- the Board reviews reports from the Chief Executive and staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed, this includes a general review of the major risks facing the Company; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board has continued to review the system of internal financial control in the Company during the period ended 31 March 2016. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Board



Date:

16/8/2016

## RIVER CLYDE HOMES

### EXTERNAL AUDITORS REPORT ON CORPORATE GOVERNANCE MATTERS

FOR THE YEAR ENDED 31 MARCH 2016

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 20 - 21 concerning the Company's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

#### **Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Company and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

#### **Opinion**

In our opinion the Statement on Internal Financial Control on page 21 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

*RSM UK Audit LLP*

RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
Third Floor Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: *23 August 2016*

**RIVER CLYDE HOMES**

**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2016**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the books of account; or
- certain disclosures of the Board's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

*RSM UK Audit LLP*

RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
Third Floor Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: *23 August 2016*

**RIVER CLYDE HOMES**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

We have audited the financial statements of River Clyde Homes Limited on pages 25 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

**Respective responsibilities of the Board and auditor**

As explained more fully in the Board's Responsibilities Statement set out on page 20, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Board's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**RIVER CLYDE HOMES**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Notes</b>	<b>2016 £'000</b>	<b>Restated 2015 £'000</b>
<b>Turnover</b>	2	27,777	28,349
Operating expenditure	2	(26,519)	(24,232)
<b>Operating surplus</b>		1,258	4,117
Gain on sale of fixed assets	4a	290	207
Interest receivable		133	81
Interest and Financing Costs	19	(1,732)	(1,247)
Other financing (Expense)/Income	11	(345)	126
<b>(Deficit)/Surplus on ordinary activities before taxation</b>		(396)	3,284
Taxation on surplus on ordinary activities	1	-	-
<b>(Deficit)/Surplus for the year</b>	13	(396)	3,284
Actuarial gain/(loss) on pension scheme	11	4,516	(2,410)
<b>Total comprehensive income for the year</b>		<b>4,120</b>	<b>874</b>

## RIVER CLYDE HOMES

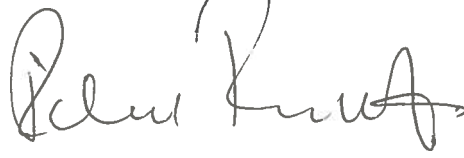
## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	2016		Restated 2015	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	4		132,015		117,309
<b>Current Assets</b>					
Stock	5	128		705	
Trade and other Debtors	6a	1,960		14,083	
Trade and other debtors due after more than one year	6b	628		577	
Cash and cash equivalents		12,293		9,899	
		15,009		25,264	
<b>Creditors: amounts falling due within one year</b>	7	(8,834)		(15,412)	
<b>Net current assets</b>			6,175		9,852
<b>Total assets less current liabilities</b>			138,190		127,161
<b>Creditors: amounts falling due after more than one year</b>	8		(108,690)		(97,789)
Pension Provision	11		(6,970)		(10,876)
<b>Total Net Assets</b>			<b>22,530</b>		<b>18,496</b>
<b>Reserves</b>					
Restricted Reserve	13	36		110	
Income & Expenditure Reserve	13	22,494		18,386	
			<b>22,530</b>		<b>18,496</b>

These financial statements were approved and authorised for issue by the Board on 16<sup>th</sup> August 2016 and signed on their behalf by:

Chair of Board:   
ALBERT HENDERSON

Director:   
RICHARD TURNOCK

Board member:   
ALAN DUNCAN

## RIVER CLYDE HOMES

## STATEMENT OF CHANGES IN RESERVES

AS AT 31 MARCH 2016

	Restricted Reserve £'000	Income & Expenditure Account £'000	Total £'000
Restated Balance as at 1/4/15	110	18,386	18,496
Actuarial gain on pension scheme	-	4,516	4,516
Deficit for the Year	-	(396)	(396)
Movement in Year	(74)	(12)	(86)
<b>Balance at 31/03/2016</b>	<b>36</b>	<b>22,494</b>	<b>22,530</b>

Further details are given in note 13.

**RIVER CLYDE HOMES**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2016**

	2016		Restated 2015	
	£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities (note 14)</b>		10,235		4,134
<b>Cashflow from financing activities</b>				
Interest paid	(1,732)		(1,247)	
Loan advances received	10,202		4,389	
Other finance expense	(345)		126	
<b>Net cash inflow from financing activities</b>		8,125		3,268
<b>Cashflow from investing activities</b>				
Purchase of Tangible Fixed Assets	(18,575)		(11,414)	
Grants Received	2,186		4,982	
Interest Received	133		81	
Proceeds from sale of Tangible Fixed Assets	290		207	
<b>Net cash outflow from investing activities</b>		(15,966)		(6,144)
<b>Net Change in Cash and Cash Equivalents</b>		<b>2,394</b>		<b>1,258</b>
Cash and cash equivalents at the beginning of the year		9,899		8,641
Cash and cash equivalents at the end of the year		12,293		9,899
<b>Net Change in Cash and Cash Equivalents</b>		<b>2,394</b>		<b>1,258</b>

Further details are given in note 14.

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2016

#### 1. Accounting Policies

River Clyde Homes Limited is incorporated under the Companies Act 2006 and is registered as a Company Limited by guarantee with Companies House Scotland, and the Scottish Housing Regulator as a Registered Social Landlord under the Housing (Scotland) Act 2010. River Clyde Homes adopted Charitable Rules on 7<sup>th</sup> December 2007 and its Charity Number is SC329031.

The Society's address is listed on page 2. Its principal activities and the nature of its operations are detailed on page 5.

#### a) Basis of Preparation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2015, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

#### b) Critical Accounting Estimates and Areas of Judgement

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

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

##### i. Useful lives of properties

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on industry averages and our review of our stock. Uncertainties in these estimates relate to the length of time certain components in our homes will last, with varying levels of use potentially lengthening or shortening the lives of these components.

##### ii. Recoverable amount of rent arrears and debtors

Management considers the reasonable likelihood of rent arrears and debtors being recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Association in the future, the actual amounts which might be received are often out with the Association's control.

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2016

##### iii. Past Service Deficit for Defined Benefit Scheme

The current provision is based on an estimate by SHAPS of the likely future payments needed to reduce the Association's share of the deficit to nil over a number of years. These future payments have then been discounted based on an estimated discount value to create a Net Present Value which is the liability reflected in the accounts. Both the payments needed and the discount percentages are estimates and assumed based on unknown future events. The final liability and the payments to clear this to £nil are therefore subject to change.

##### c) **Change in Accounting Policy**

These financial statements are the first financial statements of River Clyde Homes Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). The financial statements of River Clyde Homes Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made.

Reconciliations and descriptions of the effect of the transition to FRS 102 on:

- (i) reserves at the date of transition to FRS 102;
- (ii) reserves at the end of the comparative period; and
- (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 21.

##### d) **Change in Accounting Estimate**

In the year, the assumptions made regarding the discount rate to be used in calculating the Provision for the Present Value of the Past Service deficit on the Defined Benefit Pension Fund were changed to those recommended by SHAPS. This change in estimate resulted in an additional amount added to the Provision total at 31 March 2016. Refer to notes 11 and 13 for further detail.

##### e) **Turnover**

Turnover comprises rental and service charge income receivable in the period, other services provided at the invoice value and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

**f) Tangible Fixed Assets**

Housing properties are stated at cost, all property was acquired at nil value under the stock transfer agreement. The cost of such properties includes the following:

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure including attributable overheads
- (iii) Interest charged on the loans raised to finance the scheme to date of completion.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property, that has been treated separately for depreciation purposes and depreciated over its useful economic life, is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard performance. Such enhancement can occur if improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The major components of properties are deemed to be structure, roofs, windows and doors, bathrooms, mechanical systems, lifts, electrics, kitchens and central heating systems. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note (i).

**g) Government Grants**

Where developments have been financed wholly or partly by Housing Company Grant or other capital grant, the Grants will be presented as deferred income within liabilities on the Balance Sheet. The grant recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

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

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2016

**h) Other Grants**

Grants received in respect of revenue expenditure are credited to the Income and Expenditure account in the same period as the expenditure to which they relate.

**i) Depreciation**

**Housing Land and Buildings:**

Housing Properties are stated at cost less accumulated depreciation. Depreciation is charged based on the useful life of each component within its housing properties as follows:-

Structure	100 years
Roofs	70 years
Windows and doors	40 years
Bathrooms	30 years
Mechanical Systems	30 years
Lifts	30 years
Electrics	30 years
Kitchens	15 years
Central heating systems	15 years

Housing under construction is not depreciated and no depreciation is charged on the cost of land.

**Other Fixed Assets:**

A full year's depreciation is charged in the year of acquisition but no charge is made in the year of disposal. Depreciation is charged at rates estimated to write off costs less the estimated residual value over the expected useful life, as follows:

Furniture and Fittings	20% straight line
Computer Equipment	33 1/3% straight line

Assets transferred from Inverclyde Council have been revalued in order to establish an initial value. They will be depreciated as per the policy above in future years.

**j) Impairment**

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, estimates on the recoverable amount of the asset are made.

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



## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2016

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

**k) Value added tax**

The Company is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure is charged to the Income and Expenditure Account inclusive of VAT. Recoverable VAT arising from partial exempt activities is credited to the income and expenditure account.

**l) Pension**

The Company participates in two pension schemes as follows:

i) Strathclyde Pension Fund which is a defined benefit scheme as defined by the Local Government Pension Scheme (Scotland) regulations 1998. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Company.

ii) Scottish Housing Company's pension scheme which is a multi employer defined benefit scheme managed by the Pension Trust, which is accounted for as a defined contribution scheme as the funds managers are unable to split the assets and liabilities of the scheme by employer.

**m) Allocation of Owner Occupier Income**

Monies charged and received from owner-occupiers for common maintenance are credited into the income and expenditure account within the accounting period in which it is invoiced.

**n) Operating Lease Agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**o) Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

**p) Development Agreement**

The Company has entered into agreements with Inverclyde Council whereby the undertaking of catch-up repairs and improvement works remained with Inverclyde Council, with that obligation sub-contracted to River Clyde Homes. This has been shown on the Company's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both balances will be reduced by the appropriate amount (Notes 6, 7 and 8).

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2016

**q) Stock**

Stock is stated at the lower of cost and net realisable value. Net realisable value is calculated as estimated sales proceeds less costs to sell.

**r) Borrowing Costs**

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

**s) Deposits and Liquid Resources**

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

**t) Employee Benefits**

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

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

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

FRS102 requires River Clyde Homes to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered during the reporting period. Due to the insignificant amount calculated, at 31 March 2016 no provision has been made for holiday pay entitlement which had not been taken as at that date by employees.

**u) Taxation**

As a registered charity, River Clyde Homes is exempt from corporation tax on its charitable activities by virtue of Section 505(1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2016

v) **Going concern**

The Management Committee considers on an annual basis the appropriateness of preparing the Company's Financial Statements on a going concern basis. Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Company's viability.
- The financial position of the Company and the impact, if any, of perceived weaknesses on the Company's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Company's 30 year Business Plan including sensitivity analyses and independent verification of key underlying assumptions.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Management Committee consider the going concern assumption underlying the preparation of the Company's Financial Statements to be appropriate.

**RIVER CLYDE HOMES**  
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**FOR THE YEAR ENDED 31 MARCH 2016**

**2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

		Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000	Restated Operating Surplus / (Deficit) for previous period of account £'000
Social lettings	(Note 3a)	26,819	25,372	1,447	4,166
Other activities	(Note 3b)	958	1,147	(189)	(49)
<b>Total</b>		<b>27,777</b>	<b>26,519</b>	<b>1,258</b>	<b>4,117</b>
<b>Restated 2015</b>		<b>28,349</b>	<b>24,232</b>	<b>4,117</b>	

**RIVER CLYDE HOMES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

**3a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES**

	<b>2016</b>	<b>Restated</b>
	<b>£'000</b>	<b>2015</b>
		<b>£'000</b>
Rent receivable net of Service Charges	23,690	23,246
Service Charges	553	553
<b>Gross income from rents and service charge</b>	<b>24,243</b>	<b>23,799</b>
Less voids	(1,284)	(1,358)
<b>Net income from rents and service charges</b>	<b>22,959</b>	<b>22,441</b>
Grants from the Scottish Ministers	3,085	4,225
Other Income	775	391
<b>Total turnover from social letting activities</b>	<b>26,819</b>	<b>27,057</b>
Management and maintenance administration costs	10,226	9,726
Planned and cyclical maintenance including major repair costs	6,224	5,708
Reactive maintenance costs	5,073	4,128
Bad Debts - rents and service charge	272	211
Depreciation of social housing	3,577	3,118
<b>Operating costs for social letting activities</b>	<b>25,372</b>	<b>22,891</b>
<b>Operating Surplus for Letting Activities</b>	<b>1,447</b>	<b>4,166</b>
Restated 2015		4,166

The above information relates to General Needs Housing only as the Company does not have any shared ownership or supported housing properties.

The total amount of major repairs expenditure incurred in the year was £16,380,592 (2015:£9,877,018). Major repairs totalling £13,645,215 (2015:£6,020,006) were capitalised in the year.

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES**

	Grants from Scottish Ministers £'000	Restricted revenue grants £'000	Supporting people income £'000	Other income £'000	Total Turnover £'000	Other operating costs £'000	Year to 2016 Operating Surplus / (Deficit) £'000	Year to 2015 Operating Deficit £'000
Support activities	-	-	173	274	447	537	(90)	(148)
Homefact	-	-	-	270	270	257	13	18
BLF - Woodhall Community Park)	-	-	-	-	-	-	-	(4)
BLF - Belville Community Garden)	-	(2)	-	-	(2)	36	(38)	(12)
BLF - Support & Connect	-	133	-	27	160	222	(62)	88
BLF - ASB Prevention	-	-	-	-	-	2	(2)	2
BLF - AFA Summer Camps	-	-	-	-	-	3	(3)	3
BLF - Winter Warmer	-	4	-	-	4	4	-	-
BLF - (Big Ideas) GAP	-	-	-	-	-	10	(10)	10
Scoping Exercise	-	-	-	-	-	-	-	-
Scottish Legal Aid Board & People Communities Fund	-	79	-	-	79	76	3	(6)
<b>Total from other activities</b>	<b>-</b>	<b>214</b>	<b>173</b>	<b>571</b>	<b>958</b>	<b>1,147</b>	<b>(189)</b>	<b>(49)</b>
2015	-	646	173	473	1,292	1,341	(49)	

Grants awarded by the Big Lottery Fund and Scottish Legal Aid Board have only been spent for the purposes intended. During the year there was no other surplus or deficit from other activities other than that noted above.

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**4a. Tangible Fixed Assets - Housing Properties**

All properties were transferred to the Company at nil value as part of the Large Scale Voluntary Stock Transfer from Inverclyde Council. During the year, 28 properties were sold under Right to Buy resulting in a gain on sale of £290,438. The cost of these properties totalled £nil. Security has been granted to lenders in respect of housing properties and net cumulative interest capitalised on housing properties at 31 March 2016 amounted to £nil (2015: £3,000).

	<b>Housing Properties Held for Letting £'000</b>	<b>Housing Properties Held for Construction £'000</b>	<b>Totals £'000</b>
<b>Cost</b>			
Balance as at 1 April 2015	125,300	6,371	131,671
Additions during the period	16,331	2,431	18,762
Transfers during the period	4,795	(4,795)	-
Disposals during the period	(523)	-	(523)
At 31 March 2016	145,903	4,007	149,910
<b>Depreciation</b>			
Restated Balance as at 1 April 2015	14,674	-	14,674
Provided during the period	3,577	-	3,577
Disposals during the period	(67)	-	(67)
At 31 March 2016	18,184	-	18,184
<b>Net Book Value</b>			
As at 31 March 2016	<b>127,719</b>	<b>4,007</b>	<b>131,726</b>
Restated as at 31 March 2015	110,626	6,371	116,997

From the financial year 2010/11, the Company adopted the Component Accounting policy required by SORP 2010. Social Housing Grant is repayable under certain circumstances. The amount relating to asset disposal during the year is £76,802 (2015: £117,738).

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**4b. Tangible Assets - other**

	Furniture and Fittings £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>			
Balance as at 1 April 2015	57	2,203	2,260
Revaluations during the period	-	-	-
Additions during the period	-	260	260
Disposals during the period	-	-	-
At 31 March 2016	57	2,463	2,520
<b>Depreciation</b>			
Balance as at 1 April 2015	29	1,918	1,947
Revaluations during the period	-	-	-
Provided during the period	11	273	284
Disposals during the period	-	-	-
At 31 March 2016	40	2,191	2,231
<b>Net Book Value</b>			
As at 31 March 2016	<b>17</b>	<b>272</b>	<b>289</b>
As at 31 March 2015	28	284	312

None of the Company's properties are held under lease agreements.

<b>5. Stock</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Development properties under New Supply Shared Equity	-	581
General stock	128	124
	<b>128</b>	<b>705</b>



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**6a. Debtors due within one year**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Rent arrears	1,908	1,994
Less: bad debt provision	(1,634)	(1,650)
	274	344
VAT	514	195
Prepayments	436	485
Sundry debtors	720	1,002
Less: bad debt provision	(206)	(266)
	1,464	1,416
Development agreement (Note 6b)	-	9,429
Grant receivable	222	2,894
	<b>1,960</b>	<b>14,083</b>

**6b. Debtors due after more than one year**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Sundry debtors	628	577
	<b>628</b>	<b>577</b>

In accordance with the Development Agreement accounting policy, the remaining 2015 £9.4 million balance in respect of the expected cost to refurbish the properties has been utilised in 2016. Inverclyde Council had sub-contracted the Company to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance related to the identical provision in the accounts for this expenditure (note 7 and 8) and as work progressed both of these balances were utilised when the work was carried out.

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. Creditors due within one year**

	<b>2016</b>	<b>Restated 2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	259	158
Other taxation and social security	177	184
Rents in advance	234	284
Deferred Capital Grant (Note 9)	1,128	1,100
Development Agreement	-	9,429
Accruals and other creditors	7,036	4,257
	<b>8,834</b>	<b>15,412</b>

Loans are repayable at a fixed interest of 4.94% (2015: 4.915%) and are secured on the housing stock.

**Development Agreement**

The provision represented the best estimate of the costs of contracted works for the repair of managed properties. This agreement was part of the Development Agreement (note 6a and note 7) and the provision has now been fully utilised in 2016.

**8. Creditors due after one year**

	<b>2016</b>	<b>Restated 2015</b>
	<b>£'000</b>	<b>£'000</b>
Deferred Capital Grant (Note 9)	73,329	72,630
Loans	35,361	25,159
	<b>108,690</b>	<b>97,789</b>

**Loans**

Loans are repayable in instalments due as follows:-	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	-	-
Between one and two years	-	-
Between two and five years	-	-
In five years or more	35,361	25,159
	<b>35,361</b>	<b>25,159</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**9. Deferred Capital Grant**

	<b>2016</b>	<b>Restated 2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	73,730	70,190
Grant Received in the Year	2,186	4,982
Capital Grant Released	(1,459)	(1,442)
	<b>74,457</b>	<b>73,730</b>
Amounts to be Released within One Year	1,128	1,100
Amounts to be Released after One Year	73,329	72,630
	<b>74,457</b>	<b>73,730</b>

**10. Employees**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
The average full time equivalent number (including key management personnel) of persons employed by the Company during the period were as follows:	247.2	241.4
Business Support	40.9	37.3
Executive Management Team	7.7	8.9
Customer Services	91.6	92.9
Property and Development	39.8	35.7
Operations	67.2	66.6
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,466	6,870
Social security costs	551	492
Other pension costs	1,351	1,087
Staff costs during period	9,368	8,449

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Key Management Personnel are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments exceed £60,000 per year.

The number of the Key Management Personnel whose emoluments, excluding pension contributions, were over £60,000 per annum was as follows

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	0	0
£70,001 to £80,000	0	2
£80,001 to £90,000	0	1
£90,001+	2	1
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments for the Key Management Personnel (excluding pension contributions)	304	309
The emoluments of the Chief Executive (excluding pension contributions)	119	101
Aggregate pension contributions in relation to the above key management personnel	20	34

There were redundancy costs of £547,506 in the year (2015: £nil). No member of the Board received any emoluments in respect of their services to the Company.

## **11. Pension Obligations**

The Company's employees belong to two Pension funds, the Strathclyde Pension Fund which is part of the Local Government Pension Scheme (LGPS), and the Scottish Housing Associations' Pension Scheme.

(i) The Strathclyde Pension Fund is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method.

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Pension Obligations - The Strathclyde Pension Fund (continued)**

The assumptions and other data that have the most significant effect on the determination of the contribution levels of this scheme are as follows:

	<b>31/03/2016</b> <b>% per</b> <b>annum</b>	<b>31/03/2015</b> <b>% per</b> <b>annum</b>
Retail Price Inflation	2.2	2.4
Increase in salaries	4.2	4.3
Increase in pension and deferred pensions	2.2	2.4
Discount rate	3.5	3.2

The Company's share of assets in the scheme and expected rate of return were:

	<b>31/03/2016</b> <b>Long term</b>		<b>31/03/2015</b> <b>Long term</b>	
	<b>Assets</b> <b>2016</b> <b>£'000</b>	<b>Returns</b> <b>2016</b> <b>%</b>	<b>Assets</b> <b>2015</b> <b>£'000</b>	<b>Returns</b> <b>2015</b> <b>%</b>
Equities	23,046	5.7	23,090	5.7
Bonds	5,121	2.8	4,002	2.8
Property	3,841	3.9	3,387	3.9
Cash	-	-	308	2.6
<b>Total</b>	<b>32,008</b>	<b>3.5</b>	<b>30,787</b>	<b>3.2</b>

**RIVER CLYDE HOMES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

**11. Pension Obligations - The Strathclyde Pension Fund (continued)**

**Net Pension Liability**

	31/03/2016 £'000	31/03/2015 £'000	31/03/2014 £'000	31/03/2013 £'000	31/03/2012 £'000
Estimated Employer Assets	32,008	30,787	28,335	25,939	21,825
Present Value of funded liabilities	(37,423)	(40,133)	(35,470)	(31,798)	(25,882)
Present Value of unfunded liabilities	(1,317)	(1,301)	(1,165)	(1,056)	(863)
<b>Net Pension Liability</b>	<b>(6,732)</b>	<b>(10,647)</b>	<b>(8,300)</b>	<b>(6,915)</b>	<b>(4,920)</b>

**Analysis of the amount credited to other finance income**

	31/03/2016		31/03/2015	
	%	£'000	%	£'000
Expected return on Assets	32.8	992	57.3	1,708
Interest on pension scheme liability	(44.2)	(1,337)	(53.1)	(1,582)
<b>Net loss (B)</b>	<b>(11.4)</b>	<b>(345)</b>	4.2	126
<b>Net Revenue Account Costs (A) - (B)</b>	<b>54.3</b>	<b>1,642</b>	26	770

**Analysis of the amount charged to operating profit**

	31/03/2016		31/03/2015		31/03/2014		31/03/2013		31/03/2012	
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000
Service costs	34.4	1,040	30.0	894	26.9	846	21.2	689	19.9	674
Past service costs	8.5	257	0.1	2	-	-	-	-	-	-
<b>Total Operating Charge (A)</b>	<b>42.9</b>	<b>1,297</b>	<b>30.1</b>	<b>896</b>	<b>26.9</b>	<b>846</b>	21.2	689	19.9	674

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**11. Pension Obligations - The Strathclyde Pension Fund (continued)**

**Analysis of the amount in Statement of Total Recognised Surpluses and Deficits**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance Losses	(12,931)	(10,521)
Actuarial gain/(loss)	4,516	(2,410)
Increase/(Decrease) in Irrecoverable Surplus from Membership	-	-
<b>Actuarial gain/(loss) on assets and liabilities recognised in Comprehensive Income</b>	<b>4,516</b>	<b>(2,410)</b>
<b>Cumulative Actuarial Losses</b>	<b>(8,415)</b>	<b>(12,931)</b>

**Movement in pension deficit during the year**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Deficit at beginning	(10,647)	(8,300)
Current Service cost	(1,040)	(894)
Past Service cost	(257)	(2)
Expected Return on Employers assets	992	1,708
Interest Costs	(1,337)	(1,582)
Employers contribution	1,041	833
Actuarial gain/(loss)	4,516	(2,410)
<b>Pension deficit at end of year</b>	<b>(6,732)</b>	<b>(10,647)</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Pension Obligations (continued)**

(ii) The Scottish Housing Associations' Pension Scheme

River Clyde Homes participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394 million, liabilities of £698 million and a deficit of £304 million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027: £26,304,000 per annum (payable monthly and increasing by 3% on each 1<sup>st</sup> April).

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

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.



**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Pension Obligations (continued)**

**PRESENT VALUES OF PROVISION**

**RECONCILIATION OF OPENING AND CLOSING PROVISIONS**

	2016 £'000	2015 £'000
Provision at start of period	253	246
Unwinding of the discount factor (interest expense)	5	8
Deficit contribution paid	(20)	(19)
Remeasurements - impact of any change in assumptions	(1)	18
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	238	253

**INCOME AND EXPENDITURE IMPACT**

	2016 £'000	2015 £'000
Interest expense	5	8
Remeasurements – impact of any change in assumptions	(1)	18
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	269	210
Costs recognised in income and expenditure account	273	236

\*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

**ASSUMPTIONS**

	2016	2015	2014
Rate of discount (% per annum)	2.29	2.22	3.42

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Pension Obligations (continued)**

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions. River Clyde Homes has adopted this rate of discounting in 2016 which is reflected within the SHAPS provision (Note 13).

The Scheme offers six benefit structures to employers, namely:

Final salary with a 1/60<sup>th</sup> accrual rate.  
Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.  
Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.  
Career average revalued earnings with a 1/80<sup>th</sup> accrual rate.  
Career average revalued earnings with a 1/120<sup>th</sup> accrual rate.  
Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants.

We have elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 3 December 2007 until 31 March 2011. The default scheme after 1 April 2011 will be a career average salary based on 1/80<sup>th</sup> accrual rate, however any new member may elect to upgrade their scheme to the live scheme of final salary with a 1/60<sup>th</sup> accrual rate, but the new member would be required to pay for the extra costs over the default scheme.

During the accounting period we paid, for the Final salary with a 1/60<sup>th</sup> accrual rate, contributions at the rate of 12% of pensionable salaries and Member contributions at the rate of 12.6%. For career average revalued earnings with a 1/80<sup>th</sup> accrual rate, the rates were Employers 10.3% and Employee 6.6%.

As at the balance sheet date there were 84 active members of the Scheme employed by ourselves. The annual pensionable payroll in respect of these members was £2,205,601.

We continue to offer membership of the Scheme to our employees.

The estimated liability of each employer's potential debt on withdrawal from the Scheme has been calculated as at 30 September 2015; the amount of employer debt on withdrawal for River Clyde Homes has been calculated as £2,588,883.

**12. Company limited by guarantee**

The Company is a Company limited by guarantee and does not have a share capital. The liability of the members is limited to £1 each.

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**13. Reconciliation of movement in reserves**

<b>Income &amp; Expenditure Reserve</b>	<b>2016</b>	<b>Restated 2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening funds	18,386	17,593
(Deficit)/Surplus for period	(396)	3,284
Release of Indemnity Fund Woodhall Phase 2 & 3	(65)	-
Change in Accounting Estimate (SHAPS)	(21)	-
Tfr to/(from) Restricted Reserve	74	(81)
LGPS Actuarial gain/(loss) on pension scheme	4,516	(2,410)
<b>Revenue reserve at end of year</b>	<b>22,494</b>	<b>18,386</b>

<b>Restricted Reserves</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening funds	110	29
Movement in the Year	(74)	81
<b>Restricted Reserve</b>	<b>36</b>	<b>110</b>

<b>Restricted Reserve Detail</b>	<b>Opening Funds</b>	<b>Movement in Year</b>	<b>Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
BLF (Woodhall Community Park)	(2)	2	-
Scottish Legal Aid Board	9	3	12
BLF (Support & Connect)	88	(64)	24
BLF (ASB Prevention)	2	(2)	-
BLF (AFA Summer Camps)	3	(3)	-
BLF (Big Ideas(GAP Scoping))	10	(10)	-
<b>Restricted Reserve</b>	<b>110</b>	<b>(74)</b>	<b>36</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**14. Notes to the Cash Flow Statement**

	2016 £'000	Restated 2015 £'000
<b>a) Reconciliation of operating surplus to Net cash inflow from operating activities</b>		
Operating surplus	1,258	4,117
Depreciation	3,794	3,335
Pension – employee income/(costs)	601	(74)
Capital Grant Released	(1,459)	(1,442)
Decrease in debtors	12,071	5,961
Decrease in stock	577	65
Decrease in creditors	(6,607)	(7,828)
	<hr/>	<hr/>
Net cash inflow from operating activities	10,235	4,134
	<hr/>	<hr/>
<b>b) Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash for the period	2,394	1,258
Loans received	(10,202)	(4,389)
Loan repayments	-	-
Change in net debt	<hr/>	<hr/>
	(7,808)	(3,131)
Opening Net debt	-	-
Net debt as at 31 March 2016	<hr/>	<hr/>
	(7,808)	(3,131)

**c) Analysis of changes in net debt**

	As at 01/04/15 £'000	Cash Flow £'000	Other Changes £'000	As at 31/03/16 £'000
Cash at bank and in hand	9,899	2,394	-	12,293
Debt due within one year	-	-	-	-
Debt due after one year	(25,157)	(10,202)	-	(35,359)
	<hr/>	<hr/>	<hr/>	<hr/>
	(15,258)	(7,808)	-	(23,066)

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**15. Unit numbers under management**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Cottage	1,882	1,868
Flat	589	588
Maisonette	156	156
Multi-Storey	837	838
Tenement	2,341	2,371
	<b>5,805</b>	<b>5,821</b>

**16. Related Parties**

Various members of the Board are Tenants of the Company. The transactions with the Company are all done on standard terms, as applicable to all Tenants. During the year £12,866 (2015: £12,300) of rent was receivable from these tenant members. At the year-end there were £nil (2015: £nil) of rent arrears due from these tenant members. There are also Councillors from Inverclyde Council on the Board. Any transactions with Inverclyde Council are made at arm's length, on normal commercial terms and these Board members cannot use their position on the Board to their or the council's advantage.

**17. Auditors Remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
The remuneration of the auditors (excluding expenses and including VAT for the period)	<b>21</b>	<b>18</b>

**18. Annual Operating Leases**

	<u>2016</u>		<u>2015</u>	
	<u>£'000</u>		<u>£'000</u>	
	<u>Land &amp; Buildings</u>	<u>Other Assets</u>	<u>Land &amp; Buildings</u>	<u>Other Assets</u>
Leases < 1 year	205	317	178	331
Leases 1 - 5 years	343	18	488	-
Leases > 5 years	85	-	79	-
	<b>633</b>	<b>335</b>	<b>745</b>	<b>331</b>

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<b>19. Interest Payable and Other Charges</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Banks and Building Society Loans	1,732	1,250
Interest Capitalised as part of Development Costs	-	(3)
	<b>1,732</b>	<b>1,247</b>

<b>20. Capital Commitments</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure authorised by the Board	18,625	49,173
less certified	(7,878)	(39,374)
	<b>10,747</b>	<b>9,799</b>

All above commitments are expected to be funded by grant or private finance

**21. First Time Adoption of FRS102**

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

**A – Grant Accounting**

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure and its individual components (excluding land) on a pro-rata basis.

**B – Depreciation of Housing Properties**

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

**C – SHAPS Pension Scheme**

River Clyde Homes participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2015 this liability was calculated as amounting to £229,000.

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**21. First Time Adoption of FRS102 (continued)**

<b>RECONCILIATION OF RESERVES</b>		<b>01 April</b>	<b>31 March</b>
		<b>2014</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Reserves as previously reported under UK GAAP	<b>Notes</b>	20,653	22,180
Grant Accounting	A	4,341	5,446
Depreciation	B	(7,132)	(8,901)
SHAPS Pension	C	(240)	(229)
<b>Reserves reported under FRS102</b>		<b>17,622</b>	<b>18,496</b>

<b>RECONCILIATION OF SURPLUS</b>		<b>Year Ended</b>
		<b>31 March</b>
		<b>2015</b>
		<b>£'000</b>
Surplus as previously reported under UK GAAP		3,937
Grant Accounting	A	1,106
Depreciation	B	(1,770)
SHAPS Pension	C	11
<b>Surplus reported under FRS102</b>		<b>3,284</b>

