river clyde homes

Financial Statements

for the year ended 31 March 2012

Company Number: SC329031 Charity Number: SC038584
Scottish Housing Regulator Registered Number: 362

River Clyde Homes Financial Statements

for the year ended 31 March 2012

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Registration Particulars:

Register of Companies	Companies Act 2006 Registered Number: SC329031
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registration Number: 362
Office of the Scottish Charity Regulator	Charity and Trustee Investment Act (Scotland) 2005 Scottish Charity Number: SC038584

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RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2012

Introduction

The Board present their Annual Report together with the audited accounts for the year ended 31 March 2012. The Association was incorporated on 9 August 2007 and it was registered as a Registered Social Landlord on 3 December 2007. These accounts cover the year 1 April 2011 to 31 March 2012.

Principal Office and Registered Address

Roxburgh House
102-112 Roxburgh Street
Greenock
PA15 4JT

Principal Activity

The principal activity of the Company is the provision of social housing within the Inverclyde area. At transfer the Association received 7,870 houses from Inverclyde Council as a result of a whole stock transfer on 3 December 2007; at 31 March 2012 the current stock is 7,186 (1124 of which are closed pending demolition). The service is summarised as follows:

- to improve the quality of the housing and management service for the people of Inverclyde;
- to consolidate Tenant involvement in the Company;
- to contribute to meeting the needs of people living in the Inverclyde area;
- to provide housing at affordable and sustainable rent levels;
- to develop through the new building programme sustainable properties, helping to contribute to stable communities.

Organisational Structure and Decision Making

The organisational structure consists of a Board of Management consisting of volunteer Tenants, community members and Council nominees. The Board is supported by a Chief Executive, Director and Management team and a range of specialist staff. The operation of the staff is governed by a full range of policies and regulations.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2012

The Members of the Board of the Company during the period to 31 March 2012 were as follows:

Fergus McCallum	Resigned Mar 12	Community Member
Alex Bowers		Tenant
Wilson Dunlop		Tenant
Roy Steel	Resigned at AGM – Sept 11	Tenant
Katrina Anderson (Acting Chair)		Tenant
Iain McKenzie	Resigned at AGM – Sept 11	Councillor – Inverclyde Council
Jim Clocherty	Resigned Apr 12-pre election requirement	Councillor – Inverclyde Council
Sam McEwan	Resigned Mar 12	Community Member
Innes Nelson	Resigned Apr 12-pre election requirement	Councillor – Inverclyde Council
Alan Duncan		Community Member
Anne-Marie Bagstad	Resigned Mar 12	Tenant
Kennedy Foster		Community Member
Mary Moulden	Appointed at AGM – Sept 11	Tenant
Elizabeth Grant	Appointed Oct 11	Tenant
Tom Fyfe	Replacement for Iain McKenzie – Oct 11 Resigned Apr 12-pre election requirement	Councillor – Inverclyde Council
Terry Loughran	Replacement for Alan Blair – Aug 11 Resigned Apr 12-pre election requirement	Councillor – Inverclyde Council
Stephen McCabe	Appointed – Jun 12	Councillor – Inverclyde Council
Joe McIlwee	Appointed – Jun 12	Councillor – Inverclyde Council
Ronald Ahlfeld	Appointed – Jun 12	Councillor – Inverclyde Council
Christopher McEleny	Appointed – Jun 12	Councillor – Inverclyde Council
Ewan Fraser	Appointed – Jun 12	Community Member
Lynn Wassall	Appointed – Jun 12	Community Member
Linda Brown	Appointed – Jun 12	Community Member

All tenancies for the above Tenant members of the Board are on Scottish Secure Tenancy Agreements in terms of the Housing (Scotland) Act 2001 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 a share capital. The liability of the 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 undertake the strategy, setting of policy and overall direction for the Company. They also monitor the operational activities of the Company. The members of the Board are unpaid.

The Executive Officers of the Company during the period to 31 March 2012 were as follows:

Chief Executive	Lynne Carr	Resigned 30/04/12
Director of Corporate Strategy	James Aird	In post
Director of Housing Strategy	David McCready	Retired 31/03/12

The Executive Management Team of the Company (as listed above) are responsible for achieving the strategy agreed by the Board, undertaking the operational activities in line with the policies agreed by the Board. The governing body is the Board, which is responsible to the wider membership, as at 31 March 2012, RCH had 224 members. Board members serve in a voluntary capacity, and it is recognised that this puts even more onus on the Executive Management Team to ensure that they set and achieve high standards of professionalism in their work. Since the resignation of Lynne Carr, Kay Vowles has been appointed to strengthen the management team until a new Chief Executive is appointed on a permanent basis.

The Board has seen significant change in its membership as can be seen from the table on page 4, and RCH has introduced new Board members since March 2012, including 4 new elected members and 3 new community members.

ITS PROPERTIES OBJECTIVES AND STRATEGY

This is the fourth full year of operation of River Clyde Homes (RCH) as it commenced trading on 3 December 2007 and it has been another challenging, busy and rewarding year.

The Board and Senior Management Team set the agenda for the vision and promises made to Tenants as part of the Business Plan that Tenants voted for so strongly with a 72% yes vote for transfer.

RCH's Corporate Statement comprises its Vision, Mission, Goals and Values

The River Clyde Homes vision:

- ***An Inverclyde with exceptional housing and vibrant communities.***

The River Clyde Homes mission:

- ***To enhance peoples' lives and communities through high quality homes and services.***

The River Clyde Homes goals are

- ***To be customer focussed***
- ***To provide good quality homes***
- ***To develop its properties people***
- ***To be efficient and effective***

The RCH values will underpin the organisation operations, namely: Partnership, Service Excellence, Expertise and Integrity. These values were developed jointly by the Board and the workforce, underpinning RCH's commitment to encourage employee engagement across all elements of the business. The delivery of these values is supported through a comprehensive Learning and Development programme, with all employees being encouraged to enhance their skills and develop their careers.

This Corporate Statement will be at the heart of all decisions taken by RCH and will underpin the strategic direction of the organisation.

All services will be continually reviewed to ensure that the service delivered to the customer is fit for purpose and accessible to all. Accessibility is central to the organisation's Equal Opportunities Policy which ensures that, across all its functions, RCH respects all customers, employees or potential employees, and prohibits any discrimination.

FINANCIAL REVIEW

Overview

The finances of the organisation are governed by the detail contained in the Business Plan which was agreed by the Board, Inverclyde Council and the Scottish Government as part of the Transfer Agreement. Many aspects of the Business Plan present the organisation with challenges that impact upon the forecasts that shape the cash flow and financial capacity of the organisation. The Business Plan is reviewed regularly and approved by the Board annually and is linked to the budget and Financial Covenants.

As part of the Transfer Agreement the assets were transferred to RCH at a negative value, which constituted the subsidy due from the Scottish Government. This subsidy amounted to £53.7m in real terms and is paid in annual instalments to assist with the major investment programme to bring the sustainable stock to the Scottish Housing Quality Standard (SHQS). The major investment programme consists of demolition of non-sustainable stock and investment in the sustainable stock. This investment and demolition has to be completed by 2015/16 as this is the date that the Scottish Government require that all social housing should meet the SHQS.

The remaining cost of demolition and investment to meet SHQS is estimated in the business plan to be £74.8m with the remaining grant subsidy from the Scottish Government of £18.3m leaving a balance to be funded of £56.5m, which will be funded from a combination of rental income and loans. This year the SHQS target of 36% was exceeded as RCH attained 40%, the major expenditure was mainly on internal modernisations.

In addition to investment in existing stock there is an ambitious new build programme which is progressing in line with expectations. The estimated remaining cost of this new build programme is £18.1m of which there will be Housing Association Grant available of approximately £7m; the balance of £11.1m will be funded from loans.

In 2010/11 the Scottish Government announced a significant change to the Housing Association Grant (HAG) regime whereby the average amount of grant available per unit of new build will be in the region of £40,000. The effect of this change has presented RCH with a challenging budget going forward therefore the strategic asset management decision was made to reduce the new build expenditure and increase the investment in core stock. The 30 year business plan was refined to reflect this change.

During this year RCH handed over to tenants 43 properties at East Greenock and 158 properties in Port Glasgow which completes the handovers at these locations. Work has commenced in Southwest Greenock where 53 properties are planned to be handed over in 2012/13 with a further 42 dependant on the outcome of a planning permission appeal lodged in February 2012.

To fund the combined estimated loan debt portfolio a facility has been agreed with a consortium of financial institutions amounting to a maximum loan facility of £65m.

Income & Expenditure

Turnover of £25.487m relates mainly to the income from the letting of properties which accounts for £21.868m of this total. The balance of income of £3.619m relates to Support and Wider Role activities.

The Transfer Agreement and the Business Plan promised the Tenants that rent would only increase in line with the rate of inflation and that is guaranteed for 5 years.

Total Operating Expenditure was £16.478m, consisting of:

Management and maintenance admin costs £10.020m
Planned and cyclical maintenance £0.695m (major repairs expenditure which was capitalised is detailed on page 33)
Reactive maintenance costs £4.013m
Other costs £1.750m

Component accounting
RCH changed its accounting policy on capitalisation and depreciation by adopting component accounting in 2010/11. Component accounting was a new reporting requirement in the 2010 SORP and was required to be adopted in all financial statements from 2011/12 onwards. RCH decided that it would be more efficient to adopt component accounting early and therefore the initial effect was shown in last year financial statements, with the current year's adjustments being shown in this year's financial statements.

Component accounting is where a housing property with several different components with substantially different useful economic lives, has depreciation charged individually for each of its major components over that component's useful economic life. The components which RCH has used are kitchens, bathrooms, central heating systems, mechanical systems, lifts, windows and doors, structure, electrics and roofs. In previous years some of the expenditure on these items was expensed as major repairs.

Balance Sheet
The housing stock was transferred to RCH at nil value. However as the new build programme has progressed, the net book value of the housing properties held for letting or construction has increased to £31.542m. RCH owns one office building in Port Glasgow and this was valued following transfer by DM Hall, a qualified chartered surveyor, at a value of £0.23m in June 2008. This building is now unoccupied but still owned by RCH. There are no plans to use this building in the future and it will be cleared and marketed in the future.

The debtors balance is £20.129m of which the gross rent debtor accounts for £3.751m. As part of the transfer agreement RCH purchased the rent debt for current Tenants £0.967m at the net book value £0.125m and the former Tenants arrears of £1.7m at no cost. Therefore, the former Tenants arrears at the time of transfer are fully provided for in the accounts. The current Tenant arrears, and the arrears which have become former since transfer, have a provision for bad debt based on the value of the debt.

The cash in hand at the year end is £3.495m.

Reserves
Note 12 on page 45 details the reserve position at the year end.

Revenue Reserve
From a surplus of £4.871m in the year, £0.070m was transferred from designated reserves, and £0.005m transferred from the revaluation reserve.

Designated Reserves

As part of the Transfer Agreement, the first £1m of any potential indemnity claim will, until 2015/16 be funded from the VAT receipts flowing from the VAT arrangement. It was therefore prudent to create a designated reserve solely for this purpose in the accounts and this was created in 2007/08. If this reserve is not called upon by 2015/16 then the proceeds can be used for general expenditure within RCH.

Reserves have been earmarked as follows:-

- To front potential indemnity claim as detailed above
  - £1.0M in 2007/08

- To front fund the regeneration and investment programmes which will released by 2015/16
  - £0.5M in 2007/08
  - £1.0M in 2008/09
  - £1.0M in 2011/12

- To cover the cost of future environmental works, factoring, the cost of employing apprentices and to fund holding investment, the majority of which will be released by 2015/16
  - £1.520m in 2008/09
  - £2.244m in 2009/10
  - £1.175m in 2010/11
  - £0.553m in 2011/12

- To cover the future non cash cost of depreciation due to the adoption of component accounting which was not originally expected in the business plan on inception. This will be released over the life of the assets with approximately £2.5M of this being released in the next 5 years
  - £10.188M in 2010/11
  - (£0.623M) in 2011/12 leaving balance of £9.565M

Cash Flows

The Cash Flow statement is shown on page 27. The net cash inflows from operating activities were £1.728m. The principal cash outflows were operating costs and investment.

Financing and Liquidity

This year to minimise the exposure to interest rate variations RCH entered into a £48M hedging agreement, where a predetermined amount will be borrowed every April at rates which will be fixed until 2029. In 2011/12 the amount required to be drawn down based on this hedging agreement was £12.5M. During the year an additional £9m was borrowed on a short-term basis, however this was all repaid by 31st March 2012, along with the £7.5M short-term borrowing from 2010/11, leaving only the £12.5M fixed rate borrowing outstanding. In April 2012 a further £2.5M will be borrowed based on the hedging agreement.

The 2011/12 cash flow was managed so that RCH would fund the current year's activities with the minimal amount of borrowing required. In 2012/13, as the investment programme progresses, there will be recourse to borrow larger sums to meet the RCH commitment to fund the share of the programme not met from grant.

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.

Capital Structure and Treasury Management

RCH operations are funded on the basis of a 30 year Business Plan which has to be reviewed annually. The funding is driven by a loan facility by a consortium of financial institutions and grants provided by the Scottish Government. The funding facility from the financial institutions allows a maximum loan drawdown of £65m

with the remaining funding to achieve the targets of the investment programme, the new build programme and the day to day running of RCH coming from the Scottish Government and RCH's internal resources. The business plan assumes that the peak debt will be reached in year 2018 and repaid by year 2029.

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

Planning for the future

RCH will review its 30 year Business Plan annually which includes all the long term plans for the business over a 30 year horizon. This is subject to review and amendment every year as real issues emerge and the financial climate changes so too must the Business Plan evolve to meet those challenges.

The Business Plan is divided into component parts and includes operating costs, repairs, investment and new build expenditure. This is funded via rental income, grants and loan debt.

The key assumptions underpinning the 30 year plan are the demolition of non-sustainable stock, investment in houses to meet the Scottish Housing Quality Standard and the construction of new build houses for rent and low cost ownership which is determined by RCH's asset management strategy.

Risk Management

The following key principles outline River Clyde Homes' approach to risk management and internal control:

- The Board of Management has responsibility for overseeing risk management within the organisation as a whole.
- An open and receptive approach to solving risk problems is adopted by the Board of Management.
- The Risk Management Group supports, advises and implements policies approved by the Board of Management.
- The organisation makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- Responsible Officers are required to encourage good risk management practice within their area.
- Key risk indicators will be identified and closely monitored on a regular basis.

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the organisation to respond to a variety of operational, financial, and commercial risks.

The organisation encourages a culture that embraces risk at the heart of decision making and promotes this throughout the organisation so that risk appreciation and consideration is a part of normal work.

The risk register is reviewed and reported via the Audit Committee, with ownership of each risk being attached to a specific Head of Service Manager. The top 5 risks for River Clyde Homes are:-

1. Welfare benefits reform due to RCH's high dependence on housing benefit payments.
2. New factoring regulations will place a higher burden on RCH.
3. Void levels resulting in a loss of revenue.
4. High arrears levels which affects RCH cashflow.
5. Changing demographics in the area, potentially being unable to offer suitable accommodation.

OPERATING REVIEW

This is the forth year of trading for RCH and there has been a significant amount of work done to deliver on the promises made to tenants. In December 2011 staff moved from Wallace Place, Belville Street and some staff from the Springkell Street offices to Roxburgh House. This enabled the majority of office based staff to work in the same building in more modern surroundings.

HOUSING MANAGEMENT

Key Performance Indicators (KPIs)

RCH's KPIs are reviewed quarterly by the Board and included in the Annual Performance & Statistical Return (APSR) to the Scottish Housing Regulator.

	2011/12	2010/11	2009/10	2008/09
New Lets	202	109	N/A	N/A
Re-lets	413	460	542	510
Average Re-let days	155	157	127	158
% of new tenancies sustained > 1 year	87%	88%	80%	84%
% of non-technical arrears	4.7%	4.03%	4.08%	3.01%

Rent conference

The annual Rents Conference was held on 28 January 2012. The aim of this annual conference is to liaise with tenants regarding rent levels for the coming financial year and to give information to tenants about how their rents are spent. This year, however, the conference also focused on the topic of rent restructuring and, following from this, an initial Rent Setting Policy has been drafted. This will be finalised in the coming financial year, with changes implemented from April 2013.

Grand Central Savings

A branch of Grand Central Savings (GCS) opened in Inverclyde on 29 March 2010 and, during the year, River Clyde Homes continued to back the initiative through the secondment of a Branch Manager and Teller. During the year work has taken place to develop and expand its service provision to some of the most socially and financially excluded individuals in Inverclyde. The core activities of the GCS are a banking facility and financial advice service to members of the community who, historically, have had difficulties accessing the traditional banking sector.

The branch now has over 750 customers, with approximately 350 of these occurring in the year to 31 March 2012. Also in the year:

- Customers paid in approximately £84k in cheques.
- Received over £891k in benefits, of which £210k related solely to Housing Benefit.
- Received approximately £432k of wages during the year.
- Paid out approximately £1.39 million to customers.
- Increased the number of daily transactions from 488 per month in April 2011 to 1,044 in March 2012.
- Increased direct rent payments to RSLs and private landlords from primarily adhoc payments to regular payments of approximately £12k per month in March 2012.

With the recent and impending changes to Welfare Reform, and the expected impacts of Universal Credit on RSLs, current negotiations are taking place with regards to how GCS and RCH can continue to work together in

the future, to alleviate some of the pressures of Welfare Reform and also the general financial exclusion apparent across Inverclyde.

Customer Contact Centre
During the course of the year a Customer Contact Centre has been developed within the Customer Services Team. Previously calls were diverted to individual sections. However consultation and on-going feedback from customers indicated a preference for one team of staff handling the majority of calls at the first point of contact. In response to this a 'One Stop Shop' response plan and the Customers Contact Centre were developed. Previously this team only handled repair reports. However this has been expanded to include other calls such as income generation and allocation enquiries. Now, circa 90% of all incoming calls are received at the Contact Centre and they are able to answer a range of enquiries from customers. The role of the Contact Centre will be developed during the course of the coming financial year.

House Letting
Work has commenced on the triple strand of work pertaining to the development of a Common Housing Register (CHR), Common Allocation Policy (CAP) and Choice Based Letting (CBL). This work is being undertaken in partnership with Oak Tree and Cloch Housing Associations. Several processes have already been agreed and tested and it is anticipated that River Clyde Homes will be fully participating in these initiatives shortly.

Increasing Membership
RCH currently has 224 members, an increase of 29 from 2010/2011. A further targeted membership drive will commence on the appointment of the Governance Support officer from June 2012.

CORPORATE ISSUES

The Big Conversation

The restructure saw a further 14 employees leave RCH due to voluntary severance (VS) up to 31 March 2012. Employees were encouraged to access a range of support options including interviewing skills and CV preparation workshops, provided by PACE. All employees who left through VS participated in an individual consultation meeting, attended by a member of Human Resources and Finance.

Attendance at Work

Despite the restructure, attendance remained largely positive over the past year. Proactive Occupational Health (OH) services continued to be offered, which included health clinics, health surveillance and stress workshops. These were well attended. Management information is reviewed regularly. Data provides a breakdown showing age range, outcome of referral, whether disability was applicable in the view of the OH physician and the reason for referral. A follow up audit from Chiene & Tait showed that the completion of return to work interviews by line managers on the employee's first day back at work had improved.

Family friendly benefits

RCH remains committed to supporting work-life balance and recognises the changing demands of family life.

Health & Wellbeing

- Employees were given a range of support materials from the CIPD, ACAS, the Health & Safety Executive (Management Standards in relation to Stress) and SAMH in order to assist with the supportive management of people.
- Five Inverclyde residents had voluntary placements, 3 as Business Trainees and 2 within the Legal Team. These people were given relevant work experience in order to develop employability skills.
- The Scotland's Mental Health First Aid Course is planned for delivery during 2012

Learning Opportunities

RCH remain committed to offering a wide range of learning opportunities for all staff. This has included the provision of;

- Scottish Vocational Qualification Level 4 in Social Care
- Further education within college or university setting
- Evening and twilight classes and distance learning
- An upskilling programme for the Maintenance Team
- Short courses
- Numerous conferences were attended by members of RCH staff throughout the year, including the Chartered Institute of Housing.

One employee achieved the BSc Occupational Safety & Health with Distinction. 11 employees achieved the HNC Construction Practice and 9 employees achieved the Post Graduate Diploma in Leadership. 2 employees received a Housing Maintenance level 3 CIH module.

A range of further education courses are currently being supported including:-

- MSc. Management Practice
- BSc Information Technology
- CIMA Certificate in Business Accounting
- CIPS, levels 2, 3 and 4
- LLM Employment Law & Practice
- Post Graduate Diploma in Construction and Project Management
- Certificate in Nutritional Advice

The training team also has several books, videos and CD-ROMs available as learning resources for staff.

Partnership

RCH continue to be committed to promoting and maintaining the best relationship with its properties trade union partners through the development of partnership working. Regular meetings of the trade union Partnership Forum took place throughout the year. These meetings were well attended by all 4 trade unions. New terms & conditions of employment were negotiated and consultation took place with the entire workforce.

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 by 2015.

In order to achieve SHQS and as part of the Transfer Agreement, RCH 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.

For the year ending 31 March 2012, the available grant, the actual expenditure and grant claimed are detailed as follows:

	Available Grant	Expenditure	Grant Claimed
Improvements	£7.719m	£4.139m	£7.719m
Demolition	£1.138m	£2.807m	£1.138m
Asbestos	£0.557m	£0.340m	£0.557m

There are five key elements to the SHQS, namely as follows:

- Properties must be above the tolerable standard.
- Properties must be free from serious disrepair.
- Properties must be energy efficient.
- Properties must have modern facilities.
- Properties must be healthy, safe and secure.

In-line with the expectations of the Transfer Agreement, as at 31 March 2012, the target was 36% of RCH's stock, RCH can currently report 40% of stock complied with the requirements of SHQS.

The work carried out during the year ending 31 March 2012, included the following:

Internal Works –Works were completed in approximately 520 homes in the Inverclyde area, Braeside, Belville Street (stilts), Sinclair St, Park Farm, Kilmacolm, Inverkip, Upper Bow Farm, 7,8,10 Davidson Drive, Grosvenor, Crosshill/Devol, Boglestone, Bridgend and Greenock West End. The majority of these works incorporated replacement kitchens, bathrooms and electrical circuit replacement.

Energy Efficiency – Virtually all of RCH stock has double glazed windows and full central heating systems. An extensive programme carried out in the 10 years 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. In the year 2011/12 169 Full heating system replacements and 83 Boiler replacements have been installed. As part of the internal and external works programme, energy efficient elements are being checked and upgraded where required.

Gas Safety

RCH have a legislative obligation to maintain all gas appliances within its 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 e.g. gas cookers.

As at March 2012, 100% of applicable appliances had a valid safety certificate. A robust escalation procedure is now 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.

RCH have also completed a recent investment programme upgrading 200 boiler units, reducing the maintenance costs and ensuring lower utility costs for its properties customers. RCH plan to continue this investment and install up to 250 new heating systems and boilers in its properties in 2012/13. Plans are also in place to upgrade the gas heating system at one of the sheltered housing complexes, Broadstone Gardens, in 2013.

Asbestos

During 2011/12 an Asbestos Management Plan was put before the Board and approved. This was done in conjunction with the implementation of an asbestos register which is part of the Asset Management System. This register is fully compliant with the requirements of HSG 264 and the Control of Asbestos Regulations 2012. It provides RCH with the capability to record all information, location, position, use and condition of its asbestos liability and produce risk assessment(s) to inform the management plan.

Asset Management System

During 2011/12 significant progress was made with the implementation of the asset management system. Aside from the asbestos register the last module, Energy Manager, was implemented. This includes approved protocol software for generating SAP values for all RCH stock (NHER auto-evaluator), and a modelling tool to model scenarios to assess the best and most effective ways of improving SAP ratings where falling short with regard to SHQS. This eliminates the need for RCH to have such assessment carried out by contractors with risk of commercial drivers taking precedence.

During 2012 RCH will be carrying out a stock condition survey to 20% of its sustainable stock. This survey will be carried out using the survey manager within the Asset management System and in turn will be cloned using the systems intelligent clone mapping functionality. This will ensure a far more robust and accurate set of condition data is present to enable RCH to make better use of stock condition information in its investment planning.

REGENERATION AND BUSINESS DEVELOPMENT

Building its properties Future

The last of its properties new houses on sites in Port Glasgow (195 houses) and East Greenock (141 units) were handed over for occupation this year. Cruden Building and Renewal Limited began work on the first of its properties Southwest Greenock new build sites at Cumberland Road in September. Future opportunities include RCH's sites at James Watt Dock and Peat Road. In addition, a study has been taking place to look at the most appropriate solutions for the housing stock in the Broomhill area.

Port Glasgow

The 195 units were built at:

- Woodhall- 102 units, 96 of which were handed over during the year.
- Oronsay Avenue- 61 units, 30 of which were handed over during the year.
- Moray Road- 32 units, all of which were handed over during the year.

The planning permission for its properties Port Glasgow sites included the construction of two play areas, one at Woodhall, and the other at Oronsay both of which completed during the year. Having secured funding from a Big Lottery Grant, the infrastructure is now in place to improve open space with seating, paths, lighting at Woodhall to create a park development.

East Greenock

The 141 units were built over three sites at:

- Gilmour Street - 90 units, 30 of which were handed over during the year.
- Grosvenor Road - 43 units, 5 of which were handed over during the year.
- East Crawford Street - 8 units, all of which were handed over during the year.

16 of these units were made available to accommodate existing owners living in blocks identified for demolition and as shared equity units for sale on the open market. Although all houses have now been handed over its properties contractor, CCG (Scotland) Limited, is currently working with the statutory authorities over the adoption of elements like roads, lighting and drainage. RCH were delighted to complete this project 12 months earlier than originally planned. This was possible due to one site becoming available earlier that expected due to a fire incident.

Southwest Greenock

This development is being built on its properties behalf by Cruden Building and Renewal Limited. The plan was for 126 units to be constructed over 3 sites in the Larkfield area at:

- Cumberland Road – stage 1 comprises 29 units and is underway with houses expected to complete during summer 2012. Stage 2 comprising 31 units will follow on as quickly as possible after phase 1 completes
- Banff Road – 42 units
- Westmorland Road – 24 units, the construction of which began during the financial year and houses are expected to be ready autumn 2012

It had been its properties target to complete this project by March 2013. However, the refusal of the Planning Application for the Banff Road site means this will be extremely challenging even if the appeal against the Council's decision to the Scottish Government is successful. The appeal was lodged in February 2012.

James Watt Dock

During 2011/12 a team of design consultants reported their findings on the site on the Waterfront at James Watt Dock in Greenock. The development economics for this site require a proportion of the housing to be considered for sale. However, due to the poor state of the housing market and difficulties with mortgage lending it was decided to postpone any decision on the site until 2012/13 at the earliest.

Peat Road and Broomhill

A team of design consultants were appointed in May 2011 to consider a masterplan for the Peat Road area and an options appraisal and feasibility study for Broomhill. While the reports themselves will be separate documents due to the geographical proximity of the two areas it was decided that one team would carry out both pieces of work. The study outcomes are due to be reported to this Board during 2012/13.

Demolition

In 2011/12 RCH appointed both the framework contractors and external consultants to progress almost 1000 demolition units on various RCH sites which have been approved for demolition by the board. 135 units were demolished during this financial year.

Environmental Improvements

The environmental works programme has commenced at Monkton Place sheltered complex. Work to establish the scoping requirements, especially at the various sheltered complex's and multi storey flats, has been completed and billed costs are being prepared for the design of the required upgrades to the surrounding environment of its properties to meet the Scottish Housing Quality Standard. The appointment of a contractor has been completed with Land Engineering being appointed as framework contractor for the works.

Local Employment Opportunities

River Clyde Homes continues to be a partner in the Inverclyde Construction Forum and Inverclyde Construction Plus. The partnership operates with Inverclyde Council, James Watt College, Job Centre Plus, local business, Skills Development Scotland and Riverside Inverclyde to maximise 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 properties partners, and how to complete procurement paperwork.

Cruden Building and Renewals and Colemans demolition have recruited 14 local people this year centered around the Cumberland Road new build development. These opportunities arose for those who were either long term unemployed or new apprenticeships (3) under the "Target Recruitment and Training" section of the contract. The recruitment involves roles in construction. In addition, River Clyde Homes' own six apprentices are now in their final year and will complete their modern apprenticeships in mid 2012.

In addition, 30 trainees were employed for around six months on the Green Team project. The trainees were taught both hard and soft landscaping skills in Monkton Place sheltered housing complex, the Woodhall Park area and at Heather, Rowan and Thistle Courts in Port Glasgow. Five of the trainees have gone into permanent employment as a result of training opportunities undertaken. The project has been well received by local residents.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2012

MAINTENANCE

During 2011 / 12 River Clyde received a total of 22,966 repairs orders an increase of 1,978 over the previous year which breaks the annual year on year reduction seen during the previous three years. In part the increase can be attributed to the adverse weather conditions experienced in December and January, including the storm of January 3rd when in excess of 400 roofs were damaged.

Emergency repairs showed a significant fall to 22% of all repairs. Down from 30% in 2010/11, and 29% in 2009/10.

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

	2007/08	2008/09	2009/10	2010/11	2011/12
Emergency repairs (including callouts)	89.5%	97.8%	99.7%	98.8%	98.4%
Urgent repairs	39.8%	83.8%	94.6%	99. 1%	92.0%
Routine repairs (all)	67.7%	76.4%	78.8%	87.0%	94.2%
Repair by appointment	n/a	n/a	n/a	93.4%	73.3% *

*The appointment kept figure is the total of jobs that were completed on the same day, not as previously reported appointment met then completed at a later date.

RCH's key objective for 2012/13 is to introduce Mobile Working to modernise the service. Jobs will be ordered and sent to operatives via hand held devices thus eliminating the need for printed job tickets.

Going Concern
The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association 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.

Information for auditors
As far as the Board members are aware 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
Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Signed on behalf of the Board:

Approved by the Board on: 21 August 2012.

RIVER CLYDE HOMES

STATEMENT ON BOARD RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2012

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 28 to 31, and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Social Landlords Accounting Requirements (Scotland) Order 2007. 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

BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MARCH 2012

The Board acknowledge their 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 proper authorisation and recording of transactions;
- 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 their 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.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

RIVER CLYDE HOMES

BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MARCH 2012

The Board have continued to review the system of internal financial control in the Company during the period ended 31 March 2012. 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: 21 AUGUST 2012

RIVER CLYDE HOMES

Auditors' report on Corporate Governance matters

Corporate Governance

In addition to its properties audit of the financial statements, we have reviewed the Board's statement on pages 20 and 21 concerning the Company's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of its properties review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out its properties review having regard to the Bulletin 2009/4 that was issued by the Auditing Practices Board. 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 reasons given for non-compliance.

Opinion

In its properties opinion the Statement on Internal Financial Control on pages 20 and 21 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to its properties attention as a result of its properties audit work on the financial statements.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Statutory Auditors
Chartered Accountants
Glasgow

Date: 23 August 2012

Independent auditors' report to the members of River Clyde Homes

We have audited the financial statements of River Clyde Homes Ltd which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits and the related notes. 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).

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. Its properties 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 its properties 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 19, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Its properties 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 APB's website at *www.frc.org.uk/apb/scope/private.cfm*.

Opinion on financial statements
In its properties opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 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, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Opinion on other matter prescribed by the Companies Act 2006
In its properties 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.

Independent auditors' report to the members of River Clyde Homes

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 its properties opinion:

- adequate accounting records have not been kept, or returns adequate for its properties 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 its properties audit

Baker Tilly UK Audit LLP

Janet Hamblin
Senior Statutory Auditor
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH

Date: 23 August 2012

RIVER CLYDE HOMES

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £000's	2011 £000's
Turnover	2	25,487	22,791
Operating costs	2	(19,855)	(18,740)
Operating surplus		5,632	4,051
Profit on sale of fixed assets	4a	115	167
Interest receivable and other income		12	15
Interest payable and similar charges		(265)	(27)
Other financing expense	10	(623)	(1,359)
Surplus on ordinary activities before taxation		4,871	2,847
Taxation on surplus on ordinary activities	1	0	0
Surplus for the year	12	**4,871**	2,847

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2012

		2012 £000's	2011 £000's
Surplus for the year		4,871	2,847
Actuarial (loss) / gain on pension scheme	10	(2,850)	3,218
Total recognised surplus relating to the year		**2,021**	6,065

Registered No. SC329031

RIVER CLYDE HOMES

BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	2012 £000's	2012 £000's	2011 £000's	2011 £000's
Fixed Assets					
Housing properties - depreciated cost	4a		91,391		75,052
Less: Social Housing Grant	4a		(59,849)		(45,660)
			31,542		29,392
Other fixed assets	4b		761		352
			32,303		29,744
Current Assets					
Stock	5	266		124	
Debtors	6a	20,129		9,878	
Debtors due after more than one year	6b	17,829		29,881	
Cash at bank and in hand		3,495		1,286	
		41,719		41,169	
Creditors: amounts falling due within one year	7	(22,743)		(24,745)	
Net current assets			18,976		16,424
Total assets less current liabilities			51,279		46,168
Creditors: amounts falling due after more than one year	8		(30,064)		(29,672)
Pension Liability	10		(4,920)		(2,222)
Net Assets			**16,295**		14,274
Capital and Reserves					
Revaluation Reserve	12	211		216	
Designated Reserve	12	17,557		17,627	
Revenue Reserve	12	(1,473)		(3,569)	
			16,295		14,274

These financial statements were approved and authorised for issue by the Board on 21 August 2012 and signed on their behalf by:

Chairman of Board:

Secretary:

Board member:

RIVER CLYDE HOMES

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

	2012		2011	
	£000's	£000's	£000's	£000's
Net cash inflow from operating activities (note 13)		1,728		7,512
Return on investments and servicing of finance				
Interest received	12		15	
Interest paid	(265)		(27)	
Other finance expense	(623)		(1,359)	
Net cash outflow from returns on investments and servicing of finance		(876)		(1,371)
Capital expenditure and financial investment				
Cash paid for construction of housing	(17,189)		(29,578)	
Housing association grant received	14,189		16,866	
Purchase of other fixed assets	(742)		(156)	
Sale of properties	566		1,030	
Repayment of proceeds from sale of properties	(451)		(863)	
Net cash outflow from capital expenditure		(3,627)		(12,701)
Net cash outflow before financing		(2,775)		(6,560)
Financing				
Loan advances received	21,484		9,000	
Loan principal repayments	(16,500)		(1,500)	
Loan redemption payments	0		0	
Net cash inflow from financing		4,984		7,500
Increase in cash in period		**2,209**		940

Further details are given in note 13.

1. Principal Accounting Policies

The Company is incorporated under the Companies Act 2006 and is registered as a company limited by guarantee with Companies House in Scotland. The accounts have been prepared in accordance with the Companies Act 2006, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and in compliance with The Statement of Recommended Practice (SORP), "Accounting by Registered Social Providers, Update 2010" and applicable Accounting Standards.

a) Basis of Preparation

The accounts are prepared in accordance with applicable accounting standards, under the historical cost convention, modified to include land and buildings at valuation, and on a going concern basis.

b) Turnover

Turnover represents rental income from the letting of properties and service charges to tenants, net of voids and services to owner-occupiers and supporting people income.

c) 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 adoption of component accounting in the previous year represented a change in accounting policy. Previously major components of the Association's housing properties were deemed to be land and buildings. The major components are now 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 (d). The new accounting policy was deemed to be more appropriate as it better reflects the actual major components of the Association's housing properties and their individual remaining useful lives.

Where developments have been financed wholly or partly by Housing Association Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet. Housing Association Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

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

d) Depreciation

Housing Land and Buildings

Housing Properties are stated at cost less social housing grant, other public grants and accumulated depreciation. Last year RCH changed it accounting policy on the calculation of depreciation by implementing component accounting, as laid down by the 2010 SORP. This means that 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:

Office Buildings	- 2% straight line
Furniture and Equipment	- 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.

e) **Support Grant**

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.

f) **Value added tax**

The Association 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.

g) **Pension**

The company participates in two pension schemes as follows:

1) 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 Association.

2) Scottish Federation of Housing Associations' 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.

h) **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.

i) **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.

j) **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.

k) **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 RCH. 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 sums will be adjusted downwards by the appropriate amount (Notes 6,7 and 8).

l) **Stock**

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

Stock includes stores items and expenditure less HAG on New Supply Shared Equity (NSSE) properties.

m) **Designated Reserves**

Designated reserves are earmarked amounts of any surplus which are being reserved for future events. Transfers to and from reserves must be approved by the Board. The use and timing of reserves are noted on page 8.

n) **Taxation**

As a charity, RCH 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.

2. PARTICULARS OF TURNOVER,OPERATING COSTS AND OPERATING SURPLUS

	Turnover £000's	Operating Costs £000's	Operating Surplus / (Deficit) £000's	Operating Surplus / (Deficit) for previous period of account £000's
Social lettings	21,752	15,901	5,851	4,115
Other activities	3,735	3,954	(219)	(64)
Total	**25,487**	**19,855**	**5,632**	4,051
2011	22,791	18,740	4,051	

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

	2012 £000's	2011 £000's
Rent receivable net of Service Charges	20,912	20,603
Service Charges	547	684
Gross income from rents and service charge	21,459	21,287
Less voids	(1,296)	(1,585)
Net income from rents and service charges	20,163	19,702
Grants from the Scottish Ministers	1,023	1,791
Other Income	566	801
Total turnover from social letting activities	21,752	22,294
Management and maintenance administration costs	10,050	11,287
Planned and cyclical maintenance inc major repair costs	695	1,113
Reactive maintenance costs	4,013	4,852
Bad Debts - rents and service charge	293	128
Depreciation of social housing	850	799
Operating costs for social letting activities	15,901	18,179
Operating Surplus for Letting Activities	**5,851**	4,115
2011	4,115	

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

The total amount of major repairs expenditure incurred in the year was £4,036k (2011-£10,127k). Major repairs relating to £3,341k (2011-£9,014k) were capitalised in the year. All of the above relates to component expenditure.

3b. PARTICULARS OF TURNOVER,OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £000's	Other revenue grants £000's	Supporting people income £000's	Other income £000's	**Total Turnover £000's**	Other operating costs £000's	**Year to 2012 Operating Deficit £000's**	Year to 2011 Operating Deficit £000's
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	62	0	0	7	69	188	(119)	(55)
Support activities	0	0	173	116	289	389	(100)	(9)
Developments and improvements for sale to non-registered social landlords	0	0	0	3,377	3,377	3,377	0	0
Total from other activities	**62**	**0**	**173**	**3,500**	**3,735**	**3,954**	**(219)**	(64)
2011	138	0	347	12	497	561	(64)	

During the year there was no other surplus or deficit from other activities other than that noted above.

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.

During the year 20 properties have been sold under Right to Buy resulting in a gain on sale of £115K. Cost of of these properties totalled £nil.

Security has been granted to lenders in respect of housing properties, net cumulated interest capitalised on housing properties at 31 March 2012 amounted to nil.

	Housing Properties Held for Letting £000's	Housing Properties Held for Construction £000's	Totals £000's
Cost			
Balance as at 1/4/11	57,038	19,619	76,657
Additions during the period	5,608	11,581	17,189
Transfers during the period	26,306	(26,306)	0
Disposals during the period	0	0	0
At 31 March 2012	88,952	4,894	93,846
Depreciation			
Balance as at 1/4/11	1,605	0	1,605
Provided during the period	850	0	850
Disposals during the period	0	0	0
At 31 March 2012	2,455	0	2,455
Total Cost less depreciation at 31 March 2012	86,497	4,894	91,391
Social Housing Grant			
Balance as at 1/4/11	31,663	13,997	45,660
Additions during the period	8,925	5,264	14,189
Transfers during the period	14,489	(14,489)	0
At 31 March 2012	55,077	4,772	59,849
Net Book Value			
As at 31 March 2012	**31,420**	**122**	31,542
As at 31 March 2011	23,770	5,622	29,392

From the financial year 2010/11, the Association adopted the Component Accounting policy required by SORP 2010. Social Housing Grant is repayable under certain circumstances.

4b. Tangible Assets - other

	Land and Buildings £000's	Furniture and Fittings £000's	Computer Equipment £000's	Total £000's
Cost				
Balance as at 1/4/11	230	0	629	859
Additions during the period	0	23	719	742
At 31 March 2012	230	23	1,348	1,601
Depreciation				
Balance as at 1/4/11	14	0	493	507
Provided during the period	5	5	323	333
At 31 March 2012	19	5	816	840
Net Book Value				
As at 31 March 2012	**211**	**18**	**532**	**761**
As at 31 March 2011	216	0	136	352

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

Our land and buildings relate to our office at 2 Scarlow Street which was revalued at market value on 30 June 2008 by DM Hall Chartered Surveyors. The historic cost of this site as at 1 April 1996 was £214k but it was transferred from Inverclyde Council at nil value.

5. Stock	2012 £000's	2011 £000's
Cost of developing properties under New Supply Shared Equity	471	1,098
Grant received to develop properties	(326)	(1,098)
	145	0
General stock	121	124
	266	124

In the year ended 31 March 2011 both the cost of developing properties under New Supply Shared Equity and Grant received to develop properties have been understated by £1.122m. As this has a £nil impact on the overall balance, no adjustment has been made.

6a. Debtors due within one year

	2012 £000's	2011 £000's
Rent arrears	3,751	3,388
Less: bad debt provision	(3,397)	(3,200)
	354	188
VAT	91	71
Prepayments	143	143
Sundry debtors	1,017	1,270
Less: bad debt provision	(272)	(87)
	979	1,397
Development agreement (Note 6b)	16,298	7,666
Grant receivable	2,497	627
	20,129	**9,878**

6b. Debtors due after more than one year

	£000's £000's	£000's £000's
Sundry debtors	299	291
Development agreement	17,530	29,590
	17,829	**29,881**

In accordance with the Development Agreement accounting policy, included in debtors is a balance of £33.8m (£16.3m within one year) in respect of the expected cost of the development work that Inverclyde Council has committed to undertake in order to refurbish the properties. Inverclyde Council has 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 relates to the identical provision in the accounts for this expenditure (note 7 and 8) and as work progresses both of these balances will be utilised when the work is actually undertaken.

7. Creditors due within one year

	2012	2011
	£000's	£000's
Trade creditors	266	281
Other taxation and social security	273	153
Rents in advance	410	273
Development agreement (Note 8)	16,298	7,666
Loan	0	7,500
Accruals and other creditors	5,496	8,872
	22,743	24,745

Loans are repayable at varying rates of interest from 0.95453 % to 4.69% and loans are secured on the housing stock

8. Creditors due after one year

	2012	2011
	£000's	£000's
Obligated repairs under development agreement	17,530	29,590
Loan	12,484	0
Committed Retirement Costs	50	82
	30,064	29,672

Loans

Loans are repayable in instalment due as follows:-	2012	2011
	£000's	£000's
In one year or less	0	7,500
Between one and two years	0	0
Between two and five years	0	0
In five years or more	12,484	0
	12,484	7,500

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties. This agreement is part of the Development Agreement (note 6a, 6b and note 7) and as work progresses the provision will be utilised when the work is actually undertaken.

		2011/12	2010/11
		£000's	£000's
9	**Employees**		
	Wages and salaries	5,526	6,456
	Social security costs	396	501
	Other pension costs	147	(2,196)
	Staff costs during period	6,069	4,761

	No.	No.
The average full time equivalent number of persons employed by the Company during the period were as follows:	216.8	244.2
Corporate Services	29.6	47.8
Executive Management Team	6.7	5.0
Operations and Neighbourhoods	87.6	84.6
Property and Renewal	22.4	23.5
Maintenance Team	70.5	83.3

The Directors 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.

	£000's	£000's
Aggregate Emoluments payable to Directors (excluding employers NI and pension)	245	238
Emoluments payable to Highest Paid Director (excluding employers NI and pension)	93	90

The emoluments of the directors whose emoluments, excluding pension contributions, were over £60,000 per annum were as follows

	No.	No.
£60,001 to £70,000	0	0
£70,001 to £80,000	2	2
£80,001 to £90,000	0	0
£90,001 to £100,000	1	1

The Company's pension contributions for the Chief Executive in the period amounted to £8,500

No member of the Board received any emoluments in respect of their services to the Company.

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

	31/03/2012 % per annum	31/03/2011 % per annum
Retail Price Inflation	2.5	2.8
Increase in salaries	4.8	5.1
Increase in pension and deferred pensions	2.5	2.8
Discount rate	4.8	5.5

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

	31/03/2012 Assets 2011 £M	31/03/2012 Long term Returns 2011 %	31/03/2011 Assets 2010 £M	31/03/2011 Long term Returns 2010 %
Equities	16,805	6.3	16,421	7.5
Bonds	2,401	3.9	2,772	4.9
Property	1,528	4.4	1,280	5.5
Cash	1,091	3.5	853	4.6
Total	**21,825**	**5.8**	21,326	6.9

10. Pension Obligations - The Strathclyde Pension Fund (continued)

Net Pension Liability

	31/03/2012 £000's	31/03/2011 £000's	31/03/2010 £000's	31/03/2009 £000's	31/03/2008 £000's
Estimated Employer Assets	21,825	21,326	17,992	12,179	15,217
Present Value of funded liabilities	(25,882)	(22,985)	(25,330)	(12,988)	(14,061)
Present Value of unfunded liabilities	(863)	(563)	0	0	0
Net Pension Liability	**(4,920)**	(2,222)	(7,338)	(809)	1,156

Analysis of the amount charged to operating profit

	31/03/2012		31/03/2011		31/03/2010		31/03/2009		31/03/2008	
	%	£000's	%	£000's	%	£000's	%	£000's	%	£000's
Service costs	19.9	674	22.9	1,005	11.7	549	14.0	678	19.8	275
Past service (gain) / costs	0.0	0	(51.6)	(2,268)	3.9	181	0.0	0	0.0	0
Total Operating Charge (A)	**15.3**	**674**	(28.7)	(1,263)	15.6	730	14.0	678	19.8	275

Analysis of the amount credited to other finance income

	31/03/2012		31/03/2011	
	%	£000's	%	£000's
Expected return on Assets	44.5	1,512	30.9	1,360
Interest on pension scheme liability	(39.2)	(1,329)	(30.9)	(1,359)
Net return (B)	**5.3**	**183**	(30.9)	1
Net Revenue Account Costs (A) - (B)	**10**	**491**	2.2	(1,264)

10. Pension Obligations - The Strathclyde Pension Fund (continued)

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

	2011/12 £000's	2010/11 £000's
Opening Balance Losses	(4,250)	(7,468)
Actuarial (losses) / gains	(2,850)	3,218
Actuarial (loss) / gain on assets and liabilities recognised in STRSD	**(2,850)**	3,218
Cumulative Actuarial Losses	**(7,100)**	(4,250)

Movement in pension deficit during the year

	2011/12 £000's	2010/11 £000's
Deficit at beginning	(2,222)	(7,338)
Current Service cost	(674)	(1,005)
Past Service return	0	2,268
Losses on Curtailments	(806)	(1,360)
Expected Return on Employers assets	1,512	1,360
Interest Costs	(1,329)	(1,359)
Employers contribution	1,449	1,994
Actuarial (losses) / gains	(2,850)	3,218
Pension deficit at end of year	**(4,920)**	(2,222)

10. Pension Obligations (continued)

(ii) The Scottish Housing Associations' Pension Scheme

RCH participates in the Scottish Housing Associations' Pension Scheme ('the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The Scheme offers five benefit structures to employers, namely:

Final salary with a 1/60th accrual rate.
Career average revalued earnings with a 1/60th accrual rate.
Career average revalued earnings with a 1/70th accrual rate.
Career average revalued earnings with a 1/80th accrual rate.
Career average revalued earnings with a 1/120th accrual rate.

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. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

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

10. Pension Obligations - The Scottish Housing Associations' Pension Scheme (continued)

During the accounting period RCH paid, for the Final salary with a 1/60th accrual rate, contributions at the rate of 9.6% of pensionable salaries and Member contributions at the rate of 9.6%. For career average revalued earnings with a 1/80th accrual rate the rates were Employers 6.6% and Employee 6.6%.

As at the balance sheet date there were 26 active members of the Scheme employed by RCH. The annual pensionable payroll in respect of these members was £790k.

RCH continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	**% p.a.**
Investment return pre retirement	7.4
Investment return post retirement – Non-pensioners	4.6
Investment return post retirement – Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005	
(for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service	**%**
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4

The estimated liability of each employer's potential debt on withdrawal from the Scheme has been calculated at 30 September 2011; the amount of employer debt on withdrawal for River Clyde Homes has been calculated as £85,066.

River Clyde Homes has been notified by the Pension Trust of the Scottish Housing Association Pension Scheme (SHAPS) that past service deficit contributions payable for the year to 31st March 2013 is £37,885

11. 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.

12. Reconciliation of movement in reserves

Revenue Reserve	**2012 £000's**	**2011 £000's**
Opening funds	(3,569)	(8,463)
Surplus for period	4,871	2,847
Actuarial (loss) / gain on pension scheme	(2,850)	3,218
Transfer from Revaluation Reserve	5	4
Transfer componenting accounting reserve from designated reserve	623	0
Transfer to designated reserve	(553)	(1,175)
Revenue reserve at end of year	**(1,473)**	(3,569)

Designated Reserve	**2012 £000's**	**2011 £000's**
Opening funds	17,627	16,452
Transfer component accounting reserve to revenue reserve	(623)	0
Transfer from revenue reserve	553	1,175
Designated reserve at end of year	**17,557**	17,627

Revaluation Reserve	**2012 £000's**	**2011 £000's**
Opening funds	216	220
Transfer to Revenue Reserve	(5)	(4)
Revaluation reserve at end of year	**211**	216

13. Notes to the Cash Flow Statement

Notes to the Cash Flow Statement

	2012 £000's	2011 £000's
a) Reconciliation of operating surplus to Net cash inflow from operating activities		
Operating surplus	5,632	4,051
Depreciation	1,183	921
Pension – employee costs	(775)	(3,257)
Pension – other finance income	623	1,359
Decrease in debtors	1,801	10,790
(Increase) in stock	(142)	(5)
(Decrease) in creditors	(6,594)	(6,347)
Net cash inflow from operating activities	1,728	7,512
b) Reconciliation of net cash flow to movement in net debt		
Increase in cash for the period	2,209	940
Loans received	(21,484)	(9,000)
Loan repayments	16,500	1,500
Change in net debt	(2,775)	(6,560)
Opening Net debt	0	0
Net debt as at 31 March 2012	**(2,775)**	(6,560)

c) Analysis of changes in net debt

	As at 01/04/2011 £000's	Cash Flow £000's	Other Changes £000's	As at 31/03/12 £000's
Cash at bank and in hand	1,286	2,209	0	3,495
Debt due within one year	(7,500)	7,500	0	0
Debt due after one year	0	(12,484)	0	(12,484)
	(6,214)	(2,775)	0	**(8,989)**

14. Capital Commitments

	2012 £000'S	2011 £000'S
Expenditure authorised by the Board	41,310	52,328
less certified	(29,430)	(30,689)
	11,880	21,639

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

15. Unit numbers under management

	2012 No.	2011 No.
Cottage	1,799	1,639
Flat	627	710
Maisonette	190	255
Multi-Storey	885	938
Tenement	2,561	2,802
	6,062	6,344

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. 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.

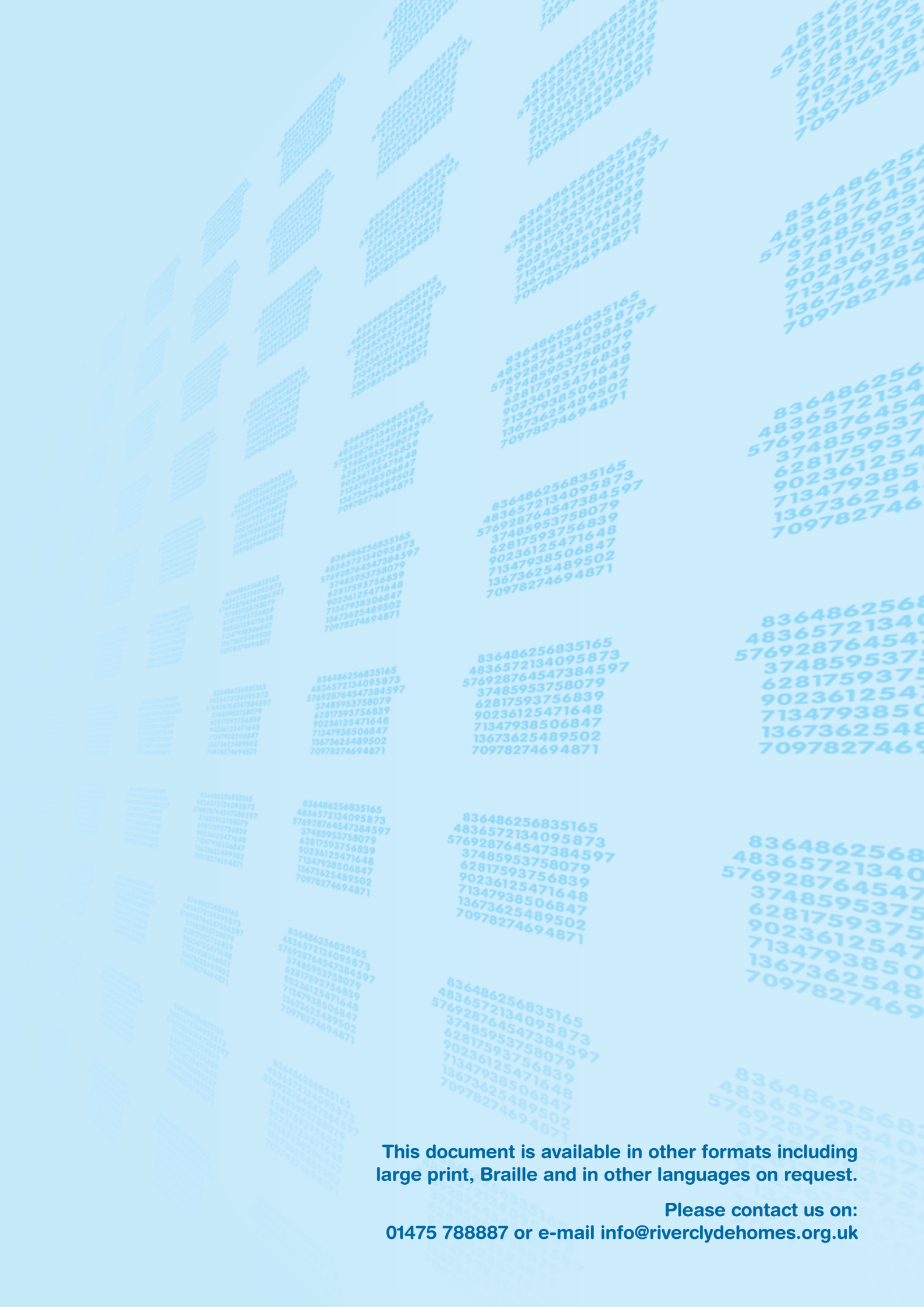
17. Auditors Remuneration

	2011/12 £000's	2010/11 £000's
The remuneration of the auditors (excluding expenses and including VAT for the period)	**17**	17

18. Annual Operating Leases

	Per annum £000's	Per annum £000's
	2012	**2011**
Leases < 1 year	0	0
Leases 1 - 5 years	261	459
Leases > 5 years	0	0
	261	459

All the above leases relate to land and buildings



This document is available in other formats including large print, Braille and in other languages on request.

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river clyde homes

River Clyde Homes is a company limited by guarantee, registered in Scotland (SC329031) and a Scottish Charity (SC038584).