

Financial Statements

for the year ended 31 March 2014



River Clyde Homes Financial Statements

for the year ended 31 March 2014

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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

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

Baker Tilly UK Audit LLP
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

RIVER CLYDE HOMES

REPORT OF THE BOARD INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

Introduction

The Board present their Annual Report together with the audited accounts for the year ended 31 March 2014. 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 2013 to 31 March 2014.

Principal Office and Registered Address

Roxburgh House
102-112 Roxburgh Street
Greenock
PA15 4JT

Principal Activity

River Clyde Homes is a forward thinking and dynamic 'not for profit' social housing provider that owns and manages over 6,000 homes and provides factoring services to a further 2,250 homes in the Inverclyde area of Scotland. We employ over 240 talented members of staff, including 50 specialist trades operatives.

We have recently developed a new vision, new values and new strategic outcomes for the company. These are different to those in our first business plan and reflect the changes in the political, operational and economic environment since the establishment of the company in 2007, together with our initial learning and experience as one of Scotland's major and newest registered social landlords.

Our **vision** of what we want to achieve is:

To provide quality, affordable homes in neighbourhoods we can be proud of, and to deliver excellent services that make a real difference for our customers.

The **strategic outcomes** we want to achieve during the lifetime of our new 5 year business plan, '*Excellence and Affordability*', will help us to realise our vision and are as follows:

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

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Our new **values** as a company are summarised as **CARES**:

Customer first, performance driven
Acting with integrity, being professional
Respect for each other, our partners and our environment
Embrace innovation, challenge expectations
Spend our money wisely

Our **aim** is:

Customers at the heart of everything we do

There is a '**golden thread**' of plans through the company as each Directorate, team and each member of staff collectively and individually contributes to achieving the vision, outcomes, values and aim of River Clyde Homes.

The River Clyde Way is how we go about our business in Inverclyde. We pride ourselves on our positive attitudes and behaviours, and our commitment to putting the customer first. All our employees have 'signed up' to the River Clyde Way:

- We value our customers;
- We will provide services which protect, enforce and promote equality and diversity;
- We will treat customers as we would like to be treated ourselves, with fairness, dignity and respect;
- All our staff, and contractors, will carry visible photographic ID cards – at all times. We will ensure that all relevant customer facing employees wear our corporate uniform;
- We will seek, and use, feedback from our customers to improve services, and publish our findings in our 'Up Close' newsletter, our website and customer reception areas;
- We will provide a range of information for customers;
- We will operate an out-of-hours emergency telephone service;
- We will develop customer service standards and publish them
- We will resolve complaints quickly in line with best practice;
- We will let customers know how to obtain information in other formats such as large print, Braille or audio, or other languages;
- We will develop telephone answering standards aimed at providing excellent service;
- We will ensure our customer reception arrangements are open at suitable times and accessible for all customers; Reception areas will be clean and comfortable;
- Where appropriate we will offer private interview facilities including home visits.

This is the River Clyde Way.

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The Board has placed customer care at the heart of the culture of River Clyde Homes. The River Clyde Way has been embedded in our plans and has become a key aspect of the training and development of staff, the performance management framework, our staff appraisal process and the management of our contractors

Governance and Decision Making

The strategic leadership of the company is provided by a Board of 12 members. The Board is supported by a Chief Executive and 3 Directors, the Executive Management team. The full list of Board members during the period to 31 March 2014 is as follows:

Wilson Dunlop	Appointed Dec 07
Katrina Anderson (Vice Chair)	Appointed Dec 07
Alan Duncan	Appointed Jun 10
Mary Moulden	Appointed Sep 11, Resigned Apr 14
Elizabeth Grant	Appointed Oct 11
Cllr Stephen McCabe	Appointed Jun 12
Cllr Joe McIlwee	Appointed Jun 12
Cllr Ronald Ahlfeld	Appointed Jun 12
Cllr Christopher McEleny	Appointed Jun 12
Ewan Fraser	Resigned – Nov 13
Lynn Wassell (Chair)	Appointed Jun 12
Linda Brown	Resigned – Aug 13

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 a 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 members of the Board are unpaid. The Board is accountable to the wider membership; as at 31 March 2014, River Clyde Homes had 166 members.

The Board has seen a considerable change in its membership since 2012. The governance of the company has been significantly strengthened with the addition of a number of new members with a range of relevant knowledge, skills and experience. Lynn Wassell was appointed as the Chair of the Board in 2012. Following a successful recruitment campaign

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the Board will see the addition of 2 new members from 15 April 2014 to replace Ewan Fraser and Linda Brown.

The Board has implemented a governance improvement plan to ensure governance arrangements are 'fit for purpose' and reflect UK best practice. Key changes to the company's governance arrangements include:

- Reduced Board size;
- Emphasis on a professional, skilled Board membership;
- Fixed and maximum terms of Board membership;
- New Codes of Conduct and Governance;
- Establishment of 3 new committee's to support the Board;
- Recognition of customer led scrutiny of the company.

The company has received 'Early Adopter' status from the Scottish Government to support the implementation of innovative and ground breaking arrangements for customer led scrutiny of the company. The Board has been working with the customer led 'Count Me In' group and TPAS Scotland in developing scrutiny arrangements and 2014 will see the launch of the River Clyde Homes Customer Senate – a first for Scotland.

The executive officers of the company during the period to 31 March 2014 are as follows:

Chief Executive	Kevin Scarlett	In post
Director of Business Support	James Aird	In post
Director of Property and Development Services	Willie Croft	In post
Director of Housing and Customer Excellence	Sandra McLeod	In post from Jan 2014

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. Kevin Scarlett was appointed by the Board in December 2012. Previously Chief Executive of the nationally acclaimed Salix Homes based in Salford, Kevin has considerable experience of leading large and successful social housing companies. The Executive Management team was strengthened further with the appointment of Willie Croft as Director of Property and Development Services in November 2012, and with the appointment of Sandra McLeod as Director of Housing and Customer Services in January 2014.

Business Plan 2014 – 2019: 'Excellence and Affordability'

The business plan is the key document for River Clyde Homes; it provides strategic direction for the company, forms an integral part of the performance management framework, and helps to ensure that we remain a financially viable, fit for purpose organisation aiming to improve services and outcomes for our customers.

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REPORT OF THE BOARD INCLUDING STRATEGIC REPORT
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The business plan demonstrates how we will achieve our vision and priorities over the next five years. It confirms how we are responding to the environment in which we operate to improve services, the quality of our 'housing offer' and to help create sustainable communities and places across Inverclyde.

As a major housing and services provider in Inverclyde, we have a significant role to play in helping to achieve the priority outcomes of the Inverclyde Alliance Single Outcome Agreement 2013-2017: *'Inverclyde Together'*, as well as Inverclyde's Local Housing Strategy and Strategic Housing Investment Plan. The business plan therefore sits within the wider strategic framework of priorities and plans for housing and communities within Inverclyde.

This is our second business plan and will cover the period from April 2014 to March 2019. It builds on the successes of our first business plan, which took us from our inception in December 2007, as well as the learning from some significant challenges presented to us as Scotland's most recent large scale voluntary transfer organisation. It was approved by the Board in March 2014.

Since our launch in 2007 we have made significant progress in delivering many of our 'transfer promises'. However a number of challenges remain, not least the need to improve the performance of our services and to ensure all our homes are compliant with the Scottish Housing Quality Standard (SHQS). The business plan confirms our achievements to date as well as our ambition and plans to become one of the best housing providers in Scotland, delivering a comprehensive and excellent 'housing offer'.

The Board has developed a number of outcomes it wants to achieve over the lifetime of this business plan. Through achieving these outcomes the company will achieve its vision, deliver its strategic objectives and demonstrate its values.

The outcomes the Board wants to achieve by 2019 are:

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

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The outcomes will be achieved through delivering a number of business plan priorities. These business plan priorities are set out below by each strategic outcome:

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

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 worklessness 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

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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

Consultation on the business plan has been achieved through a variety of methods, events and activities. We have discussed the plan and its priorities with our customers. The plan has within it extensive performance monitoring and risk management arrangements to ensure that it will deliver tangible benefits and outcomes for our customers.

The Board had a number of meetings and 'away days' during 2013 where business planning was discussed. Directors and their teams have contributed extensively to the development and production of the business plan; the plan has been influenced and shaped by our partners, including Inverclyde Council.

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STRATEGIC REPORT

Overview

The finances of the organisation are governed by the detail contained in the Financial Plan which was agreed by the Board in March 2014. Many aspects of the Financial Plan present the organisation with challenges that impact upon the forecasts that shape the cash flow and financial capacity of the organisation. The Financial Plan is reviewed regularly and approved by the Board annually and is linked to the budget and Financial Covenants.

The Scottish Government require RCH to achieve the Scottish Housing Quality Standard (SHQS) by 31 March 2016 and the estimated resource required to achieve this standard, by that date, is contained within this Financial Plan to the tune of £25.8m of capital expenditure.

RCH receive grant funding from the Scottish Government to subsidise the cost of this investment. The grant is payable in annual instalments to match the annual percentage of properties that meet SHQS compliance, the grant remaining to the end of the programme is £3.5m.

This year the SHQS target of 74% was exceeded as RCH attained 74.2%, the major expenditure was mainly on external modernisations.

In addition to investment in existing stock, there has been an ambitious new build programme with the final homes on our sites at Larkfield in Southwest Greenock being handed over in December 2013. Significant progress has been made on our plans for 20 new build houses at Woodhall Terrace with Planning Permission now granted by the Council. The cost of this new build programme is £2.5m. This will be funded by £1.1m of Housing Association Grant, the remaining costs will be funded from loans.

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 £25.105m relates mainly to the income from the letting of properties which accounts for £24.070m of this total. The balance of income of £1.035m relates to support activities, Homefact, BIG lottery fund, Scottish Legal Aid Board fund and developments and improvements for sale.

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STRATEGIC REPORT (CONT.)

Total Operating Expenditure was £18.498m, consisting of:

Management and maintenance admin costs £8.847m
Planned and cyclical maintenance £2.831m (major repairs expenditure which was capitalised is detailed in note 3 on page 40)
Reactive maintenance costs £4.266m
Other costs £2.554m

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 £41.531m. RCH sold its office building in Port Glasgow during the year.

The debtors balance is £11.309m of which the gross rent debtor accounts for £2.767m. 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 £8.641m.

Reserves

Note 12 on pages 52 and 53 details the reserve position at the year end.

Revenue Reserve

In addition to the surplus of £5.612m in the year, £2.151m was transferred from designated reserves, and £0.060m transferred from the revaluation reserve after the sale of the office building at Scarlow Street.

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STRATEGIC REPORT (CONT.)

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
 - (£0.126m) in 2012/13 - Release of New Build Indemnity Fund Lot 2
 - (£0.602m) in 2013/14 - Release of New Build Indemnity Fund Lot 1

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

- To cover the cost of future environmental works, development, factoring, service improvement, 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
 - £1.083m in 2012/13
 - (£1.5m) in 2013/14 to revenue reserve

- 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 £3m of this being released in the next 5 years
 - £10.188m in 2010/11
 - (£0.623m) in 2011/12
 - (£0.624m) in 2012/13
 - (£0.624m) in 2013/14 leaving balance of £8.317m

- To cover the future cost of past service deficit from Scottish Housing Association Pension Scheme. This will be released by 2026/27 (Note 10)
 - £0.267m in 2012/13
 - (£0.027m) in 2013/14 leaving balance of £0.240m

Cash Flows

The Cash Flow statement is shown on page 33. The net cash inflows from operating activities were £5.879m. The principal cash outflows were operating costs and investment.

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STRATEGIC REPORT (CONT.)

Financing and Liquidity

In April 2011, 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 2014/15 the amount required to be drawn down based on this hedging agreement was £20.8M. During the year no additional short-term borrowing was required. In April 2014 a further £4.4M will be borrowed based on the hedging agreement.

The 2013/14 cash flow was managed so that RCH would fund the current year's activities with the minimal amount of borrowing required. In 2014/15, as the investment programme progresses, there may 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 2022 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 Financial Plan is a derivative of the Business Plan and 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 Financial Plan demonstrates that the resources to achieve the objectives of the Business Plan are in place over a 30 year horizon.

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.

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STRATEGIC REPORT (CONT.)

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 and Finance Committee, with ownership of each risk being attached to a specific Officer. The top 5 risks for River Clyde Homes are:-

1. Loss of Income due to significant increases in arrears, particularly due to impact of Welfare Reform.
2. Loss of Income due to void levels; let stock not stabilised and business plan assumptions therefore not met.
3. Failure to deliver on the asset management strategy; demographics adversely affecting demand and failure to meet SHQS.
4. Failure to modernise the repairs service leading to high costs and customer dissatisfaction.
5. Failure to achieve cultural change

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OPERATING REVIEW

HOUSING MANAGEMENT

Key Performance Indicators (KPIs)

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

KPI	2013/14	2012/13	2011/12	2010/11	2009/10
New Lets	58	54	202	109	N/A
Re-lets	471	447	413	460	542
Average Relet days	133	94	155	157	127
% of new tenancies sustained > 1 year	88%	95%	87%	88%	80%
% of non-technical arrears	4.9%	4.56%	4.7%	4.03%	4.08%

Services in housing management have been remodelled during 2013/14 to become more customer focussed and performance outcome driven. New teams have been formed which will be launched to customers in April 2014/15. The new teams are

- Lettings and One Call
- Cleaner, Greener Neighbourhoods
- Neighbour Relations
- Extracare

Rent consultation

During 2013/14 rent consultation events took place in Greenock and Port Glasgow and customer working group meetings took place which confirmed that most of River Clyde Homes customers want the association to continue to invest in homes, and to improve key services such as getting it right first time with repairs and tackling anti social behaviour. In order to ensure that we these expectations are met, an above inflation rent increase of 4.6% was agreed from April 2014.

Sheltered Housing – Service Charges

Our Sheltered Housing Service is funded by Supporting People grant and service charges levied to tenants. Historically this service has been run at a loss which can be seen in Note 3b (Support Activities). Consultation took place during 2012/13 to agree the desired level of service which the tenants were willing to pay for, cumulating in an agreement that the level of service should remain the same and should be self financing. However to minimise the impact of the increases required to breakeven, it was agreed to phase them in over a 3 year period. This will result in this support activity being fully funded by the end of 2015/16.

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The sheltered housing service was inspected in 2013 which resulted in an increase in grades to two 4's and one 5 and only one recommendation from the Care Inspectorate. Customer Satisfaction is very high in the sheltered housing service at an average of 91% satisfaction with customer service in 2013.

Grand Central Savings

Our partnership with Grand Central Savings continues to develop and investigation is underway to ascertain whether GCS can undertake cash collection on RCH behalf. A funding contribution of £60,000 was made to GCS in 2013/14. This contribution will reduce in future years as it is planned to co-locate GCS into new customer hubs. Funding for GCS was also secured during 2013/14 from the Big Lottery, Support & Connect and the Scottish Government, People and Communities Fund. These funding bids were prepared by River Clyde Homes and we are the recipient of the associated grant funding streams. GCS now has over 1200 active accounts and have been assisting Inverclyde Council in their management of Community Care and Scottish Welfare Funds during 2013/14.

One Call

One Call is our new customer service team. This team are the first point of contact for customers and they are being trained to provide a full range of help and advice to all customers who telephone or visit our Greenock Offices and drop in service at 7½ John Wood Street.

The team aim to give customers the answer to their enquiries at the first visit or call, covering most of the variety of services provided by River Clyde Homes. This includes all business areas within Property Care, Customer Services and Business Support. The team will also make appointments for customers wishing to see another member of the River Clyde Homes Team.

During 2013/14, new team members have been recruited and a Knowledge Manager database installed to provide information on most areas of the business. This will assist the One Call Team in responding to customer enquiries and help introduce performance measures to monitor the number of 'enquiries resolved at first point of contact in addition to the performance reporting systems already in use to monitor call handling performance and quality.

The team will move into the new Greenock Hub once it is opened, providing a full customer service that meets the service standards agreed with our customers during 2013. We will extend our office hours and provide a service to our other communities including Port Glasgow once appropriate locations are identified.

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Your Home (Letting)

The team title has been changed to Your Home to reflect our new Choice Based Letting system for allocating homes. The Team has grown in size following the restructure to reflect their new duties including choice based letting, marketing and accompanying applicants from our housing waiting list prior to them becoming new tenants.

Our new Choice Based Letting system is focused on being applicant led with applicants searching and bidding for our available housing that is advertised on our custom built website. The Your Home Team and One Call Team will offer advice to applicants, discussing their housing options and visiting them when they have moved into their new home to help them settle in.

In addition to the above the team issue permissions for mutual exchanges and changes of tenancy and inspect the condition of our homes prior to making an offer of housing.

We have postponed joining the Inverclyde Common Housing register to allow our own system of Choice Based Lettings to be implemented although we continue to attend and contribute to the ICHR steering group.

We have partnered up with a national tenant mutual exchange scheme called HomeSwapper, This is the UK's leading home swap and exchange provider giving our tenants free access and opportunities to move throughout the UK.

During 2013/14, the team operated a Welfare Reform Housing Panel. This panel assessed the suitability of awarding a housing priority to our tenants who needed to downsize to a smaller home because they were facing financial hardship and at risk of losing their homes.

The team have also been focusing on marketing and allocating 'long term' voids (homes that have been empty for a lengthy time due to no demand from applicants) and have achieved 80 new lets from the varied marketing and letting initiatives implemented.

Welfare Reform

River Clyde Homes has identified the loss of income due to welfare reforms as the highest risk affecting the business. To mitigate this risk the association continues to work with our customers to provide advice and assistance on the impacts of welfare reform including:-

- Advice on our website and regular features in our Up Close customer magazine;
- Focus on early intervention in arrears cases to ensure advice and support can be provided before arrears escalate;
- A programme of targeted home visits to provide advice and support 'at home'
- Financial support and additional priority for existing customers wishing to downsize their home to offset the impact of any reduction in their housing benefit;
- 2 dedicated benefits advice officers to provide practical support and assistance in completing applications for housing and other benefits;

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- Successfully bidding for £103,000 from making Advice Work for two staff to sustain new tenancies and also to develop Smart TV and mobile phone applications around financial inclusion;
- Successfully bidding for £349,000 from the Big Lottery to support both digital and financial inclusion for Inverclyde residents and develop a website for easy accessibility to information on financial inclusion for local partner agencies and customers;
- On going partnership working with Inverclyde Council to promote the take up of discretionary housing payments by our customers;
- Financial support for Financial Fitness to provide additional advice and support;
- Financial support for Grand Central Savings to offer wider payment opportunities for customers prior to the introduction of universal credit;
- Attendance at a number of good practice events to ensure that the association is working with customers to best mitigate the impact of welfare reforms.

Organisational Development

Attendance at Work

Attendance remained largely positive over the past year. Proactive Occupational Health (OH) services continued to be offered, which included health clinics, health surveillance and mental health awareness training. 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.

Family friendly benefits

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

Health and 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.
- A range of wellness treatments was arranged and approximately 50 employees participated.
- Stress training was delivered
- The Scotland's Mental Health First Aid Course is planned for delivery during 2014.

Awards and recognition

- The Healthy Working Lives Gold Award was achieved, which demonstrates the commitment and enthusiasm shown by employees in promoting health and wellness.
- The Double Tick, positive about disabled people standard was maintained.
- The Living Wage Accreditation was maintained.
- The Investors in Diversity Stage 1 award was achieved.
- A commitment was made to work towards Investors in People accreditation.

RIVER CLYDE HOMES

REPORT OF THE BOARD INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

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 3 and 4 in Social Care
- Further education within college or university setting through distance learning
- Short courses
- Numerous conferences were attended by members of RCH staff throughout the year, including the Chartered Institute of Housing, responsible procurement.

1 employee achieved a Post Graduate Diploma with merit in Employment Law & Practice. 1 employee achieved a Post Graduate Diploma in Construction Project Management. 1 employee achieved a Post Graduate Certificate in Human Resource Management, 2 employees achieved the AAT certificate in Accounting Practice, 1 employee achieved a Post Graduate Diploma in Strategic Management, 1 employee achieved a payroll technician training course and 1 employee achieved a professional certificate in workplace health.

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

- LLM Employment Law & Practice
- MSc. Human Resource Management
- AAT Level 6 Diploma in Accounting
- Executive MBA

The organisational development 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 trade union partners through the development of partnership working. Meetings of the trade union Partnership Forum took place throughout the year. These meetings were attended by the 4 recognised trade unions.

PATH Trainee

A PATH, Positive Action through Housing Trainee started a 3 year placement with River Clyde Homes in October 2013. The trainee will work in various teams learning key housing knowledge and skills along with useful experience which should increase employability opportunities as the traineeship is completed. The trainee is also working towards the CIH Level 4 Diploma in Housing.

RIVER CLYDE HOMES

REPORT OF THE BOARD INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

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 2016.

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 2014, the available grant, the actual expenditure and grant claimed are detailed as follows:

	Available Grant	Expenditure	Grant Claimed
Improvements	£4.481	£9.010m	£4.481m
Demolition	£1.416m	£1.770m	£1.416m
Asbestos	£0.761m	£0.270m	£0.191m

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 2014, the target was 74% of RCH's stock, RCH can currently report 74.2% of stock complied with the requirements of SHQS.

The work carried out during the year ending 31 March 2014, included the following:

Internal Works – Works were completed in approximately 554 homes in the Inverclyde area including:- Burnside, Northfield/Castlehill, Cowdenknowes, Cornhaddock, Strone, 35 Maple Road, Grieve Road area, Craigieknowes, Upper Larkfield Springfield, Wellpark, Sinclair Street area, Kilmalcolm, Bardrainney, Greenock Central.

The majority of these works incorporated replacement kitchens, bathrooms and electrical circuit replacement.

External Works – Over the course of 2013/14 RCH has invested in the external fabric of nearly 265 properties with an additional 159 owner occupied properties. The areas benefiting from external fabric investment were:- Low Bow Farm, Wellpark Buildings, Gael Street (tenements), Neil Street (tenements).

RIVER CLYDE HOMES

REPORT OF THE BOARD INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

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 2013/14 77 Full heating system replacements and 125 Boiler replacements have been completed. 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 2014, 99.97% 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 RCH 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

During 2013/14 there has been further developmental works with our Asbestos Register. 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. The register is now updated as management actions are taken, however, a further review of RCH's asbestos processes has been undertaken and an action plan formulated to streamline the process and make the approach to asbestos consistent throughout the organisation. An external audit was undertaken during January 2014 which recommended improvements to our processes and controls, an action plan to implement these improvements will be taken forward during 2014.

Asset Management System

During 2013/14 significant progress was made with our Asset Management System. RCH completed stock condition survey that has provided a clean data-set to use as the base-line for all planned works going forward. Processes have also been implemented to ensure that project progress is logged in Apex to allow RCH to monitor SHQS compliance throughout the year. Annual stock condition exercises will be undertaken with the aim of striving toward 100% actual stock condition data and therefore eradicating the need to use cloned/assumed data. Again, this improved data will greatly assist with more accurate long-term planning.

RIVER CLYDE HOMES

REPORT OF THE BOARD INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

The system has been developed further as the Service Inspection Module (S.I.M) has been enabled and our gas servicing programme is now automated through the system which enables full auditing, programme scheduling, auto-population of access letters and progress monitoring. This module will be developed further to incorporate all of our planned and preventative maintenance inspections for more robust resource planning.

REGENERATION AND BUSINESS DEVELOPMENT

Building for the Future

The last of our new build homes on our sites at Larkfield in Southwest Greenock were handed over in December 2013 and all the rented houses are occupied. Some of the shared equity houses we built in the area are still to be sold although there has been considerable interest from prospective buyers. The year saw significant progress being made on our plans for 20 new build houses at Woodhall Terrace with Planning Permission being granted by the Council on the very last day of the year. During the year an agreement was reached with the Council and Scottish Government to investigate the potential for a third phase of 15 new build houses at Woodhall and 19 new houses in the Broomhill area. Consultation continued with the Broomhill residents over the plans for investment works in that area and it was decided to do likewise in the John Street Area of Greenock. Broomhill and John Street are now being treated by us as Major Intervention Areas.

Port Glasgow and East Greenock

The focus for building new houses in these areas has been on moving forward Phase 2 at Woodhall Terrace, Port Glasgow. With a preferred design and build team identified and Planning Permission secured, the project should move onto site in the early summer of 2014/15.

The Big Lottery Grant-funded project to establish a community park for Woodhall continued with a variety of well-attended events right through the year. These events included a summer fair, the marking of Remembrance Sunday and a Christmas gathering. All of these relied on the participation of volunteers from the local community to whom we express our thanks.

November 2013 saw the start on site in East Greenock of the Belville Community Garden; another project made possible through Big Lottery Funding and the hard work of local residents. As part of the project, a full-time post of Community Garden Officer was also filled.

Southwest Greenock

This development was built for us by Cruden Building and Renewal Limited comprising 126 houses (114 for rent and 12 for Shared Equity) over 3 sites in Larkfield:

- Cumberland Road – comprised 60 houses with the last 27 houses there completing during the year
- Banff Road – all 42 units were completed during the year

RIVER CLYDE HOMES

REPORT OF THE BOARD INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

- Westmorland Road – all 24 units were completed the previous year but were monitored for builder defects during the liability period.

James Watt Dock

The poor state of the housing market and difficulties with mortgage lending combined with the seller's outstanding works has meant that this site was not progressed during 2013/14. Consideration of the site is being reviewed on a regular basis.

Demolition

In 2013/14 River Clyde Homes planned an extensive programme of demolition with in excess of 339 units, across a number of River Clyde Homes sites. This programme was progressed utilising the various demolition framework contractors and consultants over the course of the year. In total 196 units were demolished during this financial year.

Environmental Improvements

The environmental works programme continued at BISF houses in Greenock and Port Glasgow and Eastern View in Gourock to meet the Scottish Housing Quality Standard. Works and scoping has been developed at Wellpark Buildings and at other various locations. The framework contractor, Land Engineering, continues to progress various elements of works with on-going high praise from residents for their conduct and interaction with residents at the various locations.

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.

During the year, Cruden Building and Renewals and their sub-contractors had 16 local people plus 5 local apprentices working on the new build houses at Larkfield. We are delighted to report that the contractors retained the apprenticeships across their other projects following completion of the Larkfield houses and that, over the period of the contract, there were more Targeted Recruitment and Training places created than the contractors were obliged to provide under the contract.

RIVER CLYDE HOMES

REPORT OF THE BOARD INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

Maintenance

During 2013/14, River Clyde Homes received a total of 22,191 repairs orders, a fall of 775 from the previous year.

Emergency repairs showed a small decrease from 24% to 22% in year.

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

	2009/10	2010/11	2011/12	2012/13	2013/14
Emergency repairs (including callouts)	99.7%	98.8%	98.4%	95.2%	99%
Routine repairs (all)	78.8%	87.0%	94.2%	82.8%	90.6%
Repair by appointment*	n/a	93.4%	73.3%	72.5%	96%
Right First Time	n/a	n/a	n/a	n/a	78.7%

*The appointment kept figures from 2011/12 represents the total number of jobs that were completed on the scheduled appointment day.

In line with the improvements in management information referred to above and in order to increase efficiency, RCH has developed a service plan for the maintenance team which aims to continually improve the service and plans for future service developments.

RIVER CLYDE HOMES
REPORT OF THE BOARD INCLUDING STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2014

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.

A handwritten signature in black ink, appearing to be 'J. D.', written in a cursive style.

Signed on behalf of the Board:

on: 19th AUGUST 2014

RIVER CLYDE HOMES

STATEMENT ON BOARD RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2014

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 34 - 38, 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.
- ensure the financial statements comply with the statement of recommended practice for Regulated Social Landlords.

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 Determination of Accounting Requirements – April 2012. 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 2014

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 2014

It is recognised that the Company's engagement with the Scottish Housing Regulator has now been downgraded to medium engagement; confirmed in the March 2014 Regulation Plan. This has been achieved by both the Chair of the Board and the Chief Executive developing a positive relationship with the Regulator, and continue to have regular contact to ensure progress is being made to address key elements of the Regulation Plan.

The Board have continued to review the system of internal financial control in the Company during the period ended 31 March 2014. 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.

A handwritten signature in black ink, appearing to be 'J. L.', is located on the left side of the page.

By order of the Board

Date: 19th AUGUST 2014

RIVER CLYDE HOMES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIVER CLYDE HOMES

We have audited the financial statements of River Clyde Homes Limited on pages 31 to 56. 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. 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 26, 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 APB's website at 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 2014 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 – April 2012.

Opinion on other matter prescribed by the Companies Act 2006

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

RIVER CLYDE HOMES

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 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

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: *22 August 2014*

RIVER CLYDE HOMES
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £000's	2013 £000's
Turnover	2	25,105	24,508
Operating costs	2	(18,498)	(20,992)
Operating surplus		6,607	3,516
Profit on sale of fixed assets	4a	233	117
Interest receivable and other income		69	64
Interest payable and similar charges	19	(1,026)	(362)
Other financing expense	10	(271)	(290)
Surplus on ordinary activities before taxation		5,612	3,045
Taxation on surplus on ordinary activities	1	-	-
Surplus for the year	12	5,612	3,045

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2014

		2014 £000's	2013 £000's
Surplus for the year		5,612	3,045
Unrealised loss on revaluation of tangible asset	4b	-	(150)
Actuarial loss on pension scheme	10	(1,239)	(2,182)
Total recognised surplus relating to the year		4,373	713

RIVER CLYDE HOMES

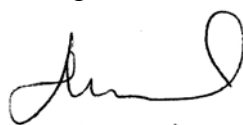
BALANCE SHEET

AS AT 31 MARCH 2014

	Notes	2014 £000's	2013 £000's
Fixed Assets			
Housing properties - depreciated cost	4a	116,062	106,402
Less: Social Housing Grant	4a	(74,531)	(69,854)
		<u>41,531</u>	<u>36,548</u>
Other fixed assets	4b	299	526
		<u>41,830</u>	<u>37,074</u>
Current Assets			
Stock	5	770	135
Debtors	6a	11,309	15,224
Debtors due after more than one year	6b	9,312	13,254
Cash at bank and in hand		8,641	4,868
		<u>30,032</u>	<u>33,481</u>
Creditors: amounts falling due within one year	7	(13,194)	(19,004)
Net current assets		<u>16,838</u>	<u>14,477</u>
Total assets less current liabilities		<u>58,668</u>	<u>51,551</u>
Creditors: amounts falling due after more than one year	8	(29,715)	(27,754)
Pension Liability	10	(8,300)	(6,915)
Net Assets		<u>20,653</u>	<u>16,882</u>
Capital and Reserves			
Revaluation Reserve	12	-	60
Designated Reserve	12	15,404	18,157
Revenue Reserve	12	5,249	(1,335)
		<u>20,653</u>	<u>16,882</u>

These financial statements were approved and authorised for issue by the Finance and Audit Committee on 19 August 2014 and signed on their behalf by:

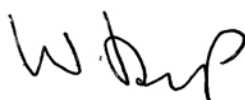
Chair of Board:



Secretary:



Committee member:



RIVER CLYDE HOMES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	2014		2013	
	£000's	£000's	£000's	£000's
Net cash inflow from operating activities (note 13)		5,879		5,779
Return on investments and servicing of finance				
Interest received		69		64
Interest paid		(1,026)		(362)
Other finance expense		(271)		(290)
Net cash outflow from returns on investments and servicing of finance		<u>(1,228)</u>		<u>(588)</u>
Capital expenditure and financial investment				
Cash Paid for construction of housing		(11,382)		(16,142)
Housing association grant received		4,677		10,048
Purchase of other fixed assets		(213)		(318)
Sale of properties		786		445
Repayment of proceeds from sale of properties		(553)		(328)
Net cash outflow from capital expenditure		<u>(6,685)</u>		<u>(6,295)</u>
Net cash outflow before financing		(2,034)		(1,104)
Financing				
Loan advances received		5,807		2,477
Loan principal repayments		-		-
Loan redemption payments		-		-
Net cash inflow from financing		<u>5,807</u>		<u>2,477</u>
Increase in cash in period		<u>3,773</u>		<u>1,373</u>

Further details are given in note 13.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 Determination of Accounting Requirements – April 2012 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.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

The adoption of component accounting in the 2010/11 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. In 2010/11 RCH changed its 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.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 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.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 12 and within Note 12.

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.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

o) Going concern

The Management Committee considers on an annual basis the appropriateness of preparing the Association'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 Association's viability.
- The financial position of the Association and the impact, if any, of perceived weaknesses on the Association's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association'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 Association's Financial Statements to be appropriate.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 (Note 3a)	24,070	17,362	6,708	3,695
Other activities (Note 3b)	1,035	1,136	(101)	(179)
Total	25,105	18,498	6,607	3,516
2013	24,508	20,992	3,516	

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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

	2014	2013
	£000's	£000's
Rent receivable net of Service Charges	22,203	21,429
Service Charges	540	572
Gross income from rents and service charge	22,743	22,001
Less voids	(1,227)	(1,297)
Net income from rents and service charges	21,516	20,704
Grants from the Scottish Ministers	2,040	1,960
Other Income	514	930
Total turnover from social letting activities	24,070	23,594
Management and maintenance administration costs	8,847	7,381
Planned and cyclical maintenance inc major repair costs	2,831	6,493
Reactive maintenance costs	4,266	4,838
Bad Debts - rents and service charge	297	226
Depreciation of social housing	1,121	961
Operating costs for social letting activities	17,362	19,899
Operating Surplus for Letting Activities	6,708	3,695
2013	3,695	

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 £8,269k (2013-£10,459k). Major repairs totalling £6,964k (2013-£8,568k) were capitalised in the year.

The costs and turnover for Homefact are shown within Note 3b. In 2013 Financial Statements, they were previously disclosed under Note 3a.

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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

	Grants from Scottish Ministers £000's	Restricted revenue grants £000's	Supporting people income £000's	Other income £000's	Total Turnover £000's	Other operating costs £000's	Year to 2014 Operating Surplus / (Deficit) £000's	Year to 2013 Operating Deficit £000's
Support activities	-	-	172	169	341	468	(127)	(142)
Homefact	-	-	-	264	264	257	7	(37)
BIG Lottery Fund (Woodhall Community Park)	-	48	-	-	48	46	2	-
BIG Lottery Fund (Belville Community Garden)	-	176	-	-	176	164	12	-
Scottish Legal Aid Board	-	38	-	-	38	33	5	-
Developments and Improvements for sale to non-registered social landlords	-	-	-	168	168	168	-	-
Total from other activities	-	262	172	601	1,035	1,136	(101)	(179)
2013	-	67	173	674	914	1,093	(179)	

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 2014

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 28 properties have been sold under Right to Buy resulting in a gain on sale of £233K (2013: £117k). Cost 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 2014 amounted to £696k (2013: £696k).

	Housing Properties Held for Letting £000's	Housing Properties Held for Construction £000's	Totals £000's
Cost			
Balance as at 1 April 2013	103,707	6,102	109,809
Additions during the period	8,303	2,717	11,020
Transfers during the period	6,950	(6,950)	-
Disposals during the period	(255)	-	(255)
At 31 March 2014	118,705	1,869	120,574
Depreciation			
Balance as at 1 April 2013	3,407	-	3,407
Provided during the period	1,121	-	1,121
Disposals during the period	(16)	-	(16)
At 31 March 2014	4,512	-	4,512
Total Cost less depreciation at 31 March 2014	114,193	1,869	116,062
Social Housing Grant			
Balance as at 1 April 2013	65,348	4,506	69,854
Additions during the period	4,867	-	4,867
Transfers during the period	2,684	(2,684)	-
Disposals during the period	(190)	-	(190)
At 31 March 2014	72,709	1,822	74,531
Net Book Value			
As at 31 March 2014	41,484	47	41,531
As at 31 March 2013	34,952	1,596	36,548

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. The amount relating to asset disposal during the year is £48k (2013: £34k).

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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 April 2013	60	25	1,648	1,733
Additions during the period	-	15	257	272
Disposals during the period	(60)	-	-	(60)
At 31 March 2014	-	40	1,905	1,945
Depreciation				
Balance as at 1 April 2013	-	10	1,197	1,207
Provided during the period	-	8	431	439
At 31 March 2014	-	18	1,628	1,646
Net Book Value				
As at 31 March 2014	-	22	277	299
As at 31 March 2013	60	15	451	526

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

Our land and buildings related to our office at 2 Scarlow Street, which was sold to Riverside Inverclyde during the year.

5. Stock

	2014 £000's	2013 £000's
Development properties under New Supply Shared Equity	642	-
General stock	128	135
	770	135

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

6a. Debtors due within one year

	2014	2013
	£000's	£000's
Rent arrears	2,767	2,558
Less: bad debt provision	(2,327)	(2,158)
	440	400
VAT	93	182
Prepayments	558	445
Sundry debtors	1,487	1,491
Less: bad debt provision	(444)	(378)
	1,694	1,740
Development agreement (Note 6b)	8,955	12,616
Grant receivable	220	468
	11,309	15,224

6b. Debtors due after more than one year

	2014	2013
	£000's	£000's
Sundry debtors	366	461
Development agreement	8,946	12,793
	9,312	13,254

In accordance with the Development Agreement accounting policy, included in debtors is a balance of £17.9m (£8.9m 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.

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7. Creditors due within one year

	2014	2013
	£000's	£000's
Trade creditors	325	798
Other taxation and social security	151	283
Rents in advance	319	280
Development agreement (Note 8)	8,955	12,616
Accruals and other creditors	3,444	5,027
	13,194	19,004

Loans are repayable at a fixed interest of 4.69% and loans are secured on the housing stock

8. Creditors due after one year

	2014	2013
	£000's	£000's
Obligated repairs under development agreement	8,946	12,793
Loan	20,769	14,961
	29,715	27,754

Loans

Loans are repayable in instalment due as follows:-

	2014	2013
	£000's	£000's
In one year or less	-	-
Between one and two years	-	-
Between two and five years	-	-
In five years or more	20,769	14,961
	20,769	14,961

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.

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	£000's	£000's
9 Employees		
Wages and salaries	5,892	6,025
Social security costs	432	430
Other pension costs	774	455
Staff costs during period	7,098	6,910

	No.	No.
The average full time equivalent number of persons employed by the Company during the period were as follows:	220.8	220.0
Business Support	34.9	29.0
Executive Management Team	6.2	4.0
Customer Services	82.6	94.2
Property and Development	32.7	23.7
Operations	64.4	69.1

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)	286	247
Emoluments payable to Highest Paid Director (excluding employers NI and pension)	100	81

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	-	-
£70,001 to £80,000	2	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	1

The Company's pension contributions for the Chief Executive in the period amounted to £nil (2013: £728)

There were redundancy costs of £162k in the year (2013: £4k)

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

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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:

	31/03/2014 % per annum	31/03/2013 % per annum
Retail Price Inflation	2.8	2.8
Increase in salaries	5.1	5.1
Increase in pension and deferred pensions	2.8	2.8
Discount rate	4.3	4.5

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

	31/03/2014		31/03/2013	
	Assets 2014 £000's	Long term Returns 2014 %	Assets 2013 £000's	Long term Returns 2013 %
Equities	21,535	6.6	19,713	5.7
Bonds	3,400	3.7	3,632	3.4
Property	1,983	4.8	1,816	3.9
Cash	1,417	3.7	778	3.0
Total	28,335	6.0	25,939	5.2

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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

Net Pension Liability

	31/03/2014 £000's	31/03/2013 £000's	31/03/2012 £000's	31/03/2011 £000's	31/03/2010 £000's
Estimated Employer Assets	28,335	25,939	21,825	21,326	17,992
Present Value of funded liabilities	(35,470)	(31,798)	(25,882)	(22,985)	(25,330)
Present Value of unfunded liabilities	(1,165)	(1,056)	(863)	(563)	-
Net Pension Liability	(8,300)	(6,915)	(4,920)	(2,222)	(7,338)

Analysis of the amount charged to operating profit

	31/03/2014		31/03/2013		31/03/2012		31/03/2011		31/03/2010	
	%	£000's	%	£000's	%	£000's	%	£000's	%	£000's
Service costs	26.9	846	21.2	689	19.9	674	22.9	1,005	11.7	549
Past service (gain) / costs	-	-	-	-	-	-	(51.6)	(2,268)	3.9	181
Total Operating Charge (A)	26.9	846	21.2	689	19.9	674	(28.7)	(1,263)	15.6	730

Analysis of the amount credited to other finance income

	31/03/2014		31/03/2013	
	%	£000's	%	£000's
Expected return on Assets	43.4	1,365	39.6	1,289
Interest on pension scheme liability	(47.5)	(1,493)	(40.0)	(1,299)
Net return (B)	(4.1)	(128)	(0.4)	(10)
Net Revenue Account Costs (A) - (B)	31	974	22	699

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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

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

	2013/14	2012/13
	£000's	£000's
Opening Balance Losses	(9,282)	(7,100)
Actuarial loss	(1,239)	(2,182)
Increase/(Decrease) in Irrecoverable Surplus from Membership	-	-
Actuarial loss on assets and liabilities recognised in STRSD	(1,239)	(2,182)
Cumulative Actuarial Losses	(10,521)	(9,282)

Movement in pension deficit during the year

	2013/14	2012/13
	£000's	£000's
Deficit at beginning	(6,915)	(4,920)
Current Service cost	(846)	(690)
Past Service return / (cost)	-	-
Losses on Curtailments	(143)	(280)
Expected Return on Employers assets	1,365	1,289
Interest Costs	(1,493)	(1,299)
Employers contribution	971	1,167
Actuarial loss	(1,239)	(2,182)
Pension deficit at end of year	(8,300)	(6,915)

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

RCH has elected to operate the final salary with a 1/60th 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 1/80ths 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.

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 35 active members of the Scheme employed by RCH. The annual pensionable payroll in respect of these members was £1,109k.

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	5.3
Investment return post retirement – Non-pensioners	3.4
Investment return post retirement – Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6
Mortality Tables	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females
Contribution Rates for Future Service	
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Additional past service deficit contributions are payable from 1 April 2014 and will increase by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

The estimated liability of each employer's potential debt on withdrawal from the Scheme has been calculated at 30 September 2012; the amount of employer debt on withdrawal for River Clyde Homes has been calculated as £777,255.

Contingent Liabilities

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 31 March 2015 is £19,652. This is payable annually subject to an inflationary increase over the next 13 years. The Net Present Value of Past Service Deficit is £240k. A designated reserve equal to this amount has been set aside.

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	2014	2013
	£000's	£000's
Opening funds	(1,335)	(1,473)
Surplus for period	5,612	3,045
Actuarial loss on pension scheme	(1,239)	(2,182)
Transfer from Revaluation Reserve	60	1
Transfer component accounting reserve from designated reserve	624	624
SHAPS Past Service Deficit from/(to) designated reserve	27	(267)
Transfer from/(to) designated reserve	1,500	(1,083)
Revenue reserve at end of year	5,249	(1,335)

Designated Reserve: Component Accounting	2014	2013
	£000's	£000's
Opening funds	8,941	9,565
Transfer component accounting reserve to revenue reserve	(624)	(624)
Designated reserve: component accounting at end of year	8,317	8,941

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Designated Reserve: SHAPS past service deficit	2014	2013
	£000's	£000's
Opening funds	267	-
SHAPS Past Service Deficit (to)/from revenue reserve	(27)	267
Designated reserve: SHAPS past service deficit at end of year	240	267

Designated Reserve: Indemnity	2014	2013
	£000's	£000's
Opening funds	874	1,000
Release of Indemnity Fund LOT1	(602)	-
Release of Indemnity Fund LOT2	-	(126)
Designated reserve: indemnity at end of year	272	874

Designated Reserve: Regeneration and Investment	2014	2013
	£000's	£000's
Opening funds	1,500	1,500
Movement in the Year	-	-
Designated reserve: regeneration and investment at end of year	1,500	1,500

Designated Reserve: Service Development	2014	2013
	£000's	£000's
Opening funds	6,575	5,492
Transfer from/(to) revenue reserve	(1,500)	1,083
Designated reserve: service development at end of year	5,075	6,575

Total Designated Reserves	15,404	18,157
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Revaluation Reserve	2014	2013
	£000's	£000's
Opening funds	60	211
Revaluation during the year	-	(150)
Transfer to Revenue Reserve	(60)	(1)
Revaluation reserve at end of year	-	60

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

13. Notes to the Cash Flow Statement

	2014	2013
	£000's	£000's
a) Reconciliation of operating surplus to Net cash inflow from operating activities		
Operating surplus	6,607	3,516
Depreciation	1,560	1,368
Pension – employee costs	(125)	(479)
Pension – other finance income	271	290
Decrease in debtors	7,857	9,479
(Increase)/Decrease in stock	(635)	131
Decrease in creditors	(9,656)	(8,526)
	5,879	5,779
b) Reconciliation of net cash flow to movement in net debt		
Increase in cash for the period	3,773	1,373
Loans received	(5,807)	(2,477)
Loan repayments	-	-
Change in net debt	(2,034)	(1,104)
Opening Net debt	-	-
Net debt as at 31 March 2014	(2,034)	(1,104)

c) Analysis of changes in net debt

	As at	Cash	Other	As at
	01/04/13	Flow	Changes	31/03/14
	£000's	£000's	£000's	£000's
Cash at bank and in hand	4,868	3,773	-	8,641
Debt due within one year	-	-	-	-
Debt due after one year	(14,961)	(5,807)	-	(20,768)
	(10,093)	(2,034)	-	(12,127)

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

14. Capital Commitments

	2014	2013
	£000's	£000's
Expenditure authorised by the Board	45,286	45,375
less certified	(41,004)	(37,822)
	4,282	7,553

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

15. Unit numbers under management

	2014	2013
	No.	No.
Cottage	1,883	1,842
Flat	606	614
Maisonette	157	164
Multi-Storey	839	862
Tenement	2,409	2,451
	5,894	5,933

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

	2014	2013
	£000's	£000's
The remuneration of the auditors (excluding expenses and including VAT for the period)	17	17

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

18. Annual Operating Leases

	<u>Per annum</u> <u>£000's</u> <u>2014</u>	<u>Per annum</u> <u>£000's</u> <u>2013</u>
Leases < 1 year	-	-
Leases 1 - 5 years	209	224
Leases > 5 years	76	75
	<hr/> 285 <hr/>	<hr/> 299 <hr/>

All the above leases relate to land, buildings and IT infrastructure

19. Interest Payable and Other Charges

	2014 £000's	2013 £000's
Banks and Building Society Loans	1,026	733
Interest Capitalised as part of Development Costs	(790)	(371)
	<hr/> 236 <hr/>	<hr/> 362 <hr/>



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

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