



# Financial Statements

for the year ended 31 March 2017



# **Report and Financial Statements**

## **For the year ended 31 March 2017**

**Company Number: SC329031**

**Charity Number: SC038584**

**Property Factor Registration Number: PF000152**

**Scottish Housing Regulator Registered Number: 362**



**river clyde homes**

**River Clyde Homes  
Report and Financial Statements  
For the year ended 31 March 2017**

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**Registration Particulars:**

Register of Companies

Companies Act 2006  
Registered Number: SC329031

**Principal Office and Registered Address:**

Roxburgh House, 102-112 Roxburgh Street, Greenock PA15 4JT

## RIVER CLYDE HOMES

### MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

#### FOR THE YEAR ENDED 31 MARCH 2017

##### Management Committee

The strategic leadership of the Company is provided by a Board of twelve members. The Board is supported by a Chief Executive and three Directors, the Executive Management team. The full list of Board members during the period to 31 March 2017 is as follows:

Name	Date of Appointment / Resignation
Wilson Dunlop (tenant)	3 December 2007 / 20 September 2016
Katrina Anderson (tenant)	3 December 2007 / 20 September 2016
Alan Duncan	18 May 2010
Elizabeth Grant (tenant)	18 October 2011
Cllr Stephen McCabe	11 September 2012
Cllr Joe McIlwee	11 September 2012 / 25 May 2017
Cllr Ronald Ahlfeld	11 September 2012 / 25 May 2017
Cllr Christopher McEleny	11 September 2012
Craig McGinn	18 March 2014
Albert Henderson (Chair)	18 March 2014
Jillian Moffat (Vice Chair)	16 September 2014
Marilyn Beveridge	17 May 2016
Jim Strang (co-optee)	17 May 2016
Jenny Speck (tenant)	20 September 2016
Cllr Graeme Brooks	30 May 2017
Cllr Tommy McVey	30 May 2017

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

The Company is limited by guarantee and does not have any share capital. The liability of Board members is limited to £1 each. The executive officers of the Company hold no interest in the Company's share capital and although not having the legal status of "Director" they act as executives within the authority delegated by the Board. It is the responsibility of the Board to approve the vision, business plan and priorities of the Company. They also monitor the operational activities of the Company. The Board is accountable to the wider membership and as at 31 March 2017, River Clyde Homes had 147 members. The members of the Board are unpaid.

## RIVER CLYDE HOMES

### MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

#### FOR THE YEAR ENDED 31 MARCH 2017

Having served as Board members for a continuous period of nine years, and therefore holding office for the maximum term possible, Katrina Anderson and Wilson Dunlop stood down at the AGM on 20<sup>th</sup> September 2016. Jenny Speck was appointed as a tenant Board member at this AGM. Jenny is very active in her community on a voluntary basis and has chaired the Broomhill Tenants and Residents Association for eight years. In 2016 she was awarded the Tenant/Resident of the Year Award by the Tenant Participation Advisory Service Scotland in recognition of her outstanding work within the Greenock community and beyond.

The elections to Inverclyde Council were held on Thursday 4 May 2017 and re-nomination of Councillors to the RCH Board was confirmed on 26 May 2017. Those members not re-nominated by Inverclyde Council were required to resign from their roles as board members.

#### Executives

The executive officers of the Company during the year to 31 March 2017 were as follows:

Position	Name	
Chief Executive	Kevin Scarlett	
Executive Director, Customer Services	Sandra McLeod	
Executive Director, Group Services	Richard Turnock	
Executive Director, Property Services	Gary Wilson	Appointed 16 May 2016

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

#### Advisers

The advisers of the Company during the year ended 31 March 2017 were as follows:

##### Bankers

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

##### Solicitors

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

##### Auditors

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

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**Introduction**

The Board presents its Annual Report together with the audited financial statements for the year ended 31 March 2017. River Clyde Homes ("the Company") was incorporated on 9 August 2007 and it was registered as a Registered Social Landlord on 3 December 2007.

**Principal Activities**

The principal activity of the Company is the provision of social housing throughout Inverclyde. Employing over 264 staff (including 54 specialist trades operatives) the business owns and manages circa 6,000 homes and provides factoring services to a further 2,250 homes. In 2016 a subsidiary company of the group called River Clyde Property Management was activated. The main purpose of the subsidiary is to carry out works for RCH properties. RCPM employ a specialist team of 49 staff (including 45 trade operatives) to deliver works. As RCPM has only recently started trading, the group has taken the decision not to present consolidated financial statements.

**Mission, Values and Aims**

**RCH Mission**

Where we want to be

A customer focussed and inspirational business  
creating aspirational homes and communities

**RCH Values**

The key principles we live by



**RCH Aims**

Outcomes we want to achieve over  
the next 5 years



**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**STRATEGIC REPORT**

**Financial Highlights**

*Statement of Comprehensive Income*

Turnover of £25.9 million (2016: £27.8 million) relates mainly to the income from the letting of properties which accounts for £25.1 million (2016: £26.8 million) of this total. The balance of income of £0.8 million (2016: £1.0 million) relates to support activities, Homefact and Scottish Legal Aid Board fund. The reduction in income from letting is due to the in-year decrease in property units owned and void performance.

Total Operating Expenditure was £24.1 million (2016: 26.5 million), consisting of:

- Management and maintenance admin costs £11.4 million (2016: £10.2 million)
- Planned and cyclical maintenance £2.1 million (2016: 6.2 million) (major repairs expenditure capitalised is detailed in note 3 on page 30)
- Reactive maintenance costs £5.1 million (2016: £5.1 million)
- Other costs £5.5 million (2016: £5.0 million)

The operating surplus for the year ended 31 March 2017 was £1.8 million (2016: £1.3 million) and the surplus on ordinary activities before actuarial loss on pension scheme was £0.1 million (2016: £0.4 million).

*Statement of Financial Position*

Total net assets at the year end amounted to £17.2 million (2016: £22.5 million). The key asset categories include:

- |                        |                                       |
|------------------------|---------------------------------------|
| • Housing property     | £146.1 million (2016: £131.7 million) |
| • Rent debtors (gross) | £2.1 million (2016: £1.9 million)     |
| • Cash deposits        | £6.5 million (2016: £12.3 million)    |

The housing stock was transferred to River Clyde Homes at nil value. As our major improvement and new build programme has progressed, the net book value of the housing properties held for letting or construction has increased to £146.1 million (2016: 131.7 million).

Offsetting the rental debtor of £2.1 million (2016: £1.9 million) is a bad debt provision of £1.7 million (2016: £1.6 million). This provision relates to current and historical (pre transfer) arrears.

The key liabilities include:

- |                        |                                     |
|------------------------|-------------------------------------|
| • Total deferred grant | £76.7 million (2016: £74.5 million) |
| • Total loans          | £42.3 million (2016: £35.4 million) |

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**STRATEGIC REPORT (continued)**

The deferred grant relates to Scottish Government grants in respect of SHQS works, New Build projects and Aids and Adaptations development. £1.2 million (2016: £1.1 million) of the deferred grant is due within one year; the balance of £75.5 million (2016: £73.4 million) is due after more than one year.

*Statement of Cash Flows*

The net cash inflow from operating activities was £5.4 million (2016: £10.2 million). A further £4.7 million net inflow (2016: £8.1 million) was generated from financing activities. Net cash outflow from investing activities totalled £14.9 million (2016: £16.0 million).

**Financing and treasury management**

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

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

In April 2011, to minimise the exposure to interest rate variations, the Company entered into a £48 million hedging agreement, where a predetermined amount will be borrowed every April at rates which will be fixed until 2029. The amount required to be drawn down based on this hedging agreement was £41.3 million. No additional short-term borrowing was required. In April 2017 a further £5.1 million was drawn down based on the hedging agreement.

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

## RIVER CLYDE HOMES

### REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2017

#### STRATEGIC REPORT (continued)

##### Risk Management

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

The Principle Strategic Risks facing the company are shown in the table below. The board has approved action plans to mitigate these risks:

<b><i>Risk Description</i></b>	<b><i>Key Mitigation</i></b>
Lack of access to capital or liquidity	<ul style="list-style-type: none"><li>• Improved engagement with lenders including regular updates on development of strategy and business planning to better manage expectations</li><li>• Improve lenders' confidence in management through delivery of financial and non-financial performance targets</li></ul>
Inadequate asset management strategy	<ul style="list-style-type: none"><li>• Ongoing Asset Management Project is addressing this, with the aim to report back to Board in Autumn 2016. This will incorporate a detailed review of the RCH estate, which will inform future investment strategy and funding requirements.</li><li>• Ongoing work to deliver SHQS (informed by external Stock Condition Report)</li></ul>
Welfare reform changes increasing risk of bad debts and reduced income	<ul style="list-style-type: none"><li>• Participation in Working party groups to monitor welfare developments and impact of changes</li><li>• Improved debt collection processes (including legal redress) enables system enhancements</li></ul>
Failure to achieve a competitive housing proposition for our customers	<ul style="list-style-type: none"><li>• Development of a RCH Plus proposition standard</li><li>• Customer insight will inform our proposition strategy</li></ul>
Failure to achieve VFM	<ul style="list-style-type: none"><li>• VFM Project Board will provide additional governance</li><li>• Delivering thought leadership to sector – e.g. CEO Chairs VFM Scotland Club (HouseMark Initiative), which is pioneering drive for VFM reporting in Scotland</li></ul>
Ineffective planning for diversification	<ul style="list-style-type: none"><li>• Governance: e.g. Initial plans for diversification will be discussed as part of business planning weekend in November and a detailed plan will be developed.</li><li>• Where applicable, we will utilise the service of third parties (e.g. consultants, legal input etc.) to ensure we have a solid business case, confirm operational readiness.</li></ul>

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**STRATEGIC REPORT (continued)**

**Credit Payment Policy**

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

**Planning for the future**

The assumptions underpinning all business plans (including the five year plan, thirty year business plan and financial plan) are reviewed and validated on an annual basis. One core assumption includes the spending requirement associated with the Asset Management Strategy.

We are currently in refinancing talks with our lenders to enable the completion of the following:-

- a comprehensively increased New Build programme, 750 new homes over the next 3 years
- accelerated expenditure to meet the requirements of the Energy Efficiency Standard for Social Housing (EESH) by 2020
- a full component replacement programme from 2028 onwards to maintain Scottish Housing Quality Standards (SHQS).

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

## **RIVER CLYDE HOMES**

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

#### **FOR THE YEAR ENDED 31 MARCH 2017**

## **OPERATING REVIEW**

### **CUSTOMER SERVICES**

#### *Key achievements in 2016-17*

- Successful transition to new Customer Services structure of three local area teams.
- 24/7 Customer Services ready to launch April 2017 providing our customers with free access to all our services all day, every day.
- Chartered Institute of Housing Award for our Customer Senate.
- Launched local Customer Hubs.
- Silver Living model launched to improve demand and tenancy sustainability.
- Award winning Future Skills service launched.
- Financial Wellbeing Team secured an additional £1.4m in Welfare Benefits for our customers
- Partnership with Pollock Credit Union launched to support our customers through Welfare Reform.
- New weekly Visual Measures Board performance management sessions introduced for area teams.
- NHS Award for Excellence in Dementia work in partnership with HSPC & Scottish Care in November 2016.

### **Performance highlights**

#### *Voids and Tenancies*

The continuing emphasis on improving voids performance saw a review of the service and a new policy, process and performance management focus introduced jointly with Property Care. Performance at the year end shows a decrease in the average relet time reported for 2015/16 and in the void loss against the reported 2015/16 figure. Nearly 9 out of 10 new tenants remain in their tenancy for at least a year and the rationalisation of stock continued with the agreement to dispose of stock with no demand. A new innovative letting initiative – “Make Yourself a Home” was also developed. This will offer incentives to new customers to move to our low demand homes and will launch in April 2017.

#### *Arrears and Welfare Reform*

A new arrears action plan was developed in anticipation of the major challenges to income collection as a result of the roll-out of the full Universal Credit (UC) service in Inverclyde. This increased focus on arrears included close working with DWP colleagues, a new arrears working group, adopting good practice from other RSLs, increased support to help tenants complete Universal Credit claim forms, intensive arrears activity in local areas and a new arrears policy is in development. Despite this, the rise to 481 tenants in receipt of Universal Credit and the minimum 6 week delay before payment, impacted in an increase in reported arrears.

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

*Broomhill Regeneration and Customer Focus*

Significant customer engagement was completed in the Broomhill regeneration project to support the first phase of new tenants moving into their newly refurbished homes. To date there have been 58 lets in Broomhill since end November 16, some of these homes had previously been vacant for up to 10 years. 40 per cent of the lets to date were to customers new to RCH. The projection is to let 120 homes in Broomhill by March 18. The Customer Experience team expanded the range of services available through the call centre as part of the services channel shift strategy. Performance in complaints handling continued to generally improve overall and benefitted from a new policy and staff handbook.

## **PROPERTY SERVICES**

The Property Services Department are about to publish its revised Asset Management Strategy and Plan. At the heart of our strategy is the need to improve planned maintenance, to improve our housing stock. Also, at the core of our strategy is our new build programme. Over the past twelve months, we have started the process of planned preventative maintenance for our core stock. The asset management strategy recognises that well-maintained properties will have much higher standards, becoming valuable assets that our customers want to call home.

To date, River Clyde Homes have built 474 new homes. As part of the asset management strategy, we are planning ten new build schemes that are supported by the new five-year Social Housing Investment Plan (SHIP) (September 2016). The SHIP has been supported by the Scottish Government's Strategic Local Programme which confirms grant funding for 4 of these development schemes over the initial three year period 2016-19. All sites to be developed by RCH are owned by the company.

Our homes must be sustainable over the long term – socially, environmentally & financially – and to achieve this we need to be able to assess the performance of our assets to determine their sustainability. Therefore, we have begun to develop an Asset Management Matrix to enable this assessment. Additionally, this matrix will also allow the Board to manage asset risks, challenges and opportunities significantly more effectively than at present. With this in mind, we have begun developing a matrix that adopts a number of analytical approaches as follows:

- Financial measures including Net Present Value (NPV);
- Annual cash flow projections; and
- Modelling that combines the financial measures with non-monetary factors to assess the social value of our properties.

The matrix will link the knowledge that we have gained about our stock to date, property requirements in response to local demand and customer aspirations, and in line with what is affordable in the business plan. The matrix will allow us to confirm what stock is sustainable and highlight the problem areas.

**RIVER CLYDE HOMES**

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2017**

In determining the social value of our properties, we have spent the past twelve months developing the following measures:

- NPV or Costs vs. Income (based on investment need, EESSH compliance, management and maintenance costs versus projected income);
- Property type (traditional / non-traditional / access);
- Demand (housing register and CBL activity); and
- Wider picture (customer satisfaction, ASB, SIMD).

When applying the matrix, depending on the score/value of the asset, this may “trigger” a neighbourhood plan to be developed or an options appraisal to be carried out.

### **Key Performance Indicators (KPIs)**

KPIs are formally reviewed quarterly by the Performance and Services Committee and included in the Annual Return on the Charter (ARC) to the Scottish housing Regulator and Customers.

	<b>2016/17</b>	<b>2015/16</b>
Gross average time taken to re-let properties (days)	84	102
Tenancies sustained for more than 12 months	87.3%	88.5%
Rent lost due to properties becoming vacant	2.4%	2.3%
Rent collected as a proportion of rent due	100.6%	101.4%
Gross rent arrears as a % of rent due	8.1%	7.6%
Time (hours) to complete emergency repairs	10.4	3.5
Time (working days) to complete non-emergency repairs	7.5	14.6
Repairs completed right first time	88.3%	85.6%
Response repair appointments kept	85.6%	86.2%
ASB cases resolved within 12 week target	85.6%	91.5%
Stage 1 complaints responded to on time	90%	88%

### **Going Concern**

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

### **Information for auditors**

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

**RIVER CLYDE HOMES**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**Auditors**

Following a competitive process, the Board recommends that Haines Watts Glasgow Ltd are appointed auditors for the 2017/18 financial year.

Signed on behalf of the Board:

on: *Albert Henderson*  
ALBERT HENDERSON  
29/8/17

## **RIVER CLYDE HOMES**

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

#### **FOR THE YEAR ENDED 31 MARCH 2017**

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 23 to 28, and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

## RIVER CLYDE HOMES

### MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

#### FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

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

The Board has continued to review the system of internal financial control in the Company during the period ended 31 March 2017. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Board

  
ALBERT HENDERSON

Date:

29/8/17

## RIVER CLYDE HOMES

### EXTERNAL AUDITORS REPORT ON CORPORATE GOVERNANCE MATTERS

FOR THE YEAR ENDED 31 MARCH 2017

In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning the Company's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

#### Basis of Opinion

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

#### Opinion

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

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

Date: 5/9/17

## RIVER CLYDE HOMES

### INDEPENDENT AUDITORS' REPORT

#### FOR THE YEAR ENDED 31 MARCH 2017

##### **Opinion on financial statements**

We have audited the financial statements of River Clyde Homes Limited on pages 19 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

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

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

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

In our opinion the information given in the Board's Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Board's Report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Board's Report.

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:

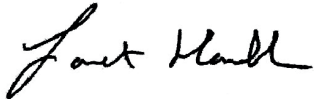
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Board's remuneration specified by law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

##### **Respective responsibilities of the Board and auditor**

As explained more fully in the Board's Responsibilities Statement set out on page 14, 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.

**RIVER CLYDE HOMES**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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.



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

Date 5/9/17

# RIVER CLYDE HOMES

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Turnover</b>	2	25,928	27,777
Operating expenditure	2	(24,128)	(26,519)
<b>Operating surplus</b>		1,800	1,258
Gain on sale of fixed assets	4a	439	290
Interest receivable		85	133
Interest and Financing Costs	19	(2,036)	(1,732)
Other Financing Expense	11	(237)	(345)
<b>Surplus/(Deficit) on ordinary activities before taxation</b>		51	(396)
Taxation on surplus on ordinary activities	1	-	-
<b>Surplus/(Deficit) for the year</b>	13	<b>51</b>	(396)
Actuarial (loss)/gain on pension scheme	11	(5,390)	4,516
<b>Total comprehensive (loss)/income for the year</b>	13	<b>(5,339)</b>	4,120

## RIVER CLYDE HOMES

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed Assets</b>			
Tangible Assets	4a/b	146,436	132,015
Intangible Assets	4c	33	-
<b>Current Assets</b>			
Stock	5	119	128
Trade and other Debtors	6a	5,619	2,808
Trade and other debtors due after more than one year	6b	680	628
Cash and cash equivalents		7,511	12,293
		13,929	15,857
<b>Creditors: amounts falling due within one year</b>	7	(12,724)	(9,682)
<b>Net current assets</b>		1,205	6,175
<b>Total assets less current liabilities</b>		147,674	138,190
<b>Creditors: amounts falling due after more than one year</b>	8	(117,719)	(108,690)
Pension Provision	11	(12,733)	(6,970)
<b>Total Net Assets</b>		<b>17,222</b>	<b>22,530</b>
<b>Reserves</b>			
Restricted Reserve	13	18	36
Income & Expenditure Reserve	13	17,204	22,494
		<b>17,222</b>	<b>22,530</b>

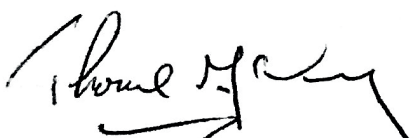
These financial statements were approved and authorised for issue by the Board on 29 August 2017 and signed on their behalf by:

Chair of Board:  ALBERT HENDERSON

Director:

  
RICHARD TURNOCK

Board member:

  
THOMAS McVEY

## RIVER CLYDE HOMES

## STATEMENT OF CHANGES IN RESERVES

AS AT 31 MARCH 2017

	Restricted Reserve £'000	Income & Expenditure Account £'000	Total £'000
Balance as at 1/4/16	36	22,494	22,530
Actuarial loss on pension scheme	-	(5,390)	(5,390)
Surplus for the Year	-	51	51
Movement in Year	(18)	49	31
<b>Balance at 31/03/2017</b>	<b>18</b>	<b>17,204</b>	<b>17,222</b>

Further details are given in note 13.

**RIVER CLYDE HOMES**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2017**

	<b>2017</b>		<b>2016</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities (note 14)</b>		5,411		10,235
<b>Cashflow from financing activities</b>				
Interest paid	(2,036)		(1,732)	
Loan advances received	6,984		10,202	
Other finance expense	(237)		(345)	
<b>Net cash inflow from financing activities</b>		4,711		8,125
<b>Cashflow from investing activities</b>				
Purchase of Tangible Fixed Assets	(19,011)		(18,575)	
Grants Received	3,583		2,186	
Interest Received	85		133	
Proceeds from sale of Tangible Fixed Assets	439		290	
<b>Net cash outflow from investing activities</b>		(14,904)		(15,966)
<b>Net Change in Cash and Cash Equivalents</b>		<b>(4,782)</b>		<b>2,394</b>
Cash and cash equivalents at the beginning of the year		12,293		9,899
Cash and cash equivalents at the end of the year		7,511		12,293
<b>Net Change in Cash and Cash Equivalents</b>		<b>(4,782)</b>		<b>2,394</b>

Further details are given in note 14.

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 1. **Accounting Policies**

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

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

#### a) **Basis of Preparation**

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

The financial statements are prepared in Sterling (£).

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

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

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

##### i. Useful lives of properties

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

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

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

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2017

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

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

#### c) **Turnover**

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

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

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

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

#### d) **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.

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2017

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

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

**e) Intangible Fixed Assets**

Intangible assets purchased are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software	3 years
Website development costs	3 years

Amortisation is revised prospectively if there is a significant change in the useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

**f) Government Grants**

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

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

**g) Other Grants**

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

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2017

##### h) Depreciation

###### **Housing Land and Buildings:**

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

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

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

###### **Other Fixed Assets:**

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

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

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

##### i) Impairment

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

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

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

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2017

**i) Value added tax**

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

**j) Pension**

The Company participates in two pension schemes as follows:

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

ii) Scottish Housing Association 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.

**k) 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.

**l) 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.

**m) 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.

**n) Energy Trust Loan**

The Company has treated the loan value in accordance with section 34 of FRS 102. The loan has a nil rate of interest and therefore under section 34.89 and 90 the company has taken the decision of accounting for this at cost.

**o) Stock**

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

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2017

**p) Borrowing Costs**

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

All other borrowing costs are expensed as incurred.

**q) Deposits and Liquid Resources**

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

**r) Employee Benefits**

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when River Clyde Homes is demonstrably committed to terminate the employment of an employee or to provide termination benefits. FRS102 requires River Clyde Homes to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered during the reporting period.

**s) Taxation**

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

**t) Going concern**

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

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

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

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

		Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000	Operating Surplus / (Deficit) for previous period of account £'000
Social lettings	(Note 3a)	25,070	23,237	1,833	1,447
Other activities	(Note 3b)	858	891	(33)	(189)
Total		<b>25,928</b>	<b>24,128</b>	<b>1,800</b>	1,258
2016		27,777	26,519	1,258	

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

	2017 £'000	2016 £'000
Rent receivable net of Service Charges	23,696	23,690
Service Charges	616	553
Gross income from rents and service charge	24,312	24,243
Less voids	(1,475)	(1,284)
<b>Net income from rents and service charges</b>	<b>22,837</b>	<b>22,959</b>
Grants from the Scottish Ministers	1,523	3,085
Other Income	710	775
<b>Total turnover from social letting activities</b>	<b>25,070</b>	<b>26,819</b>
Management and maintenance administration costs	11,375	10,226
Planned and cyclical maintenance inc major repair costs	2,087	6,224
Reactive maintenance costs	5,148	5,073
Bad Debts - rents and service charge	312	272
Depreciation of social housing	4,315	3,577
<b>Operating costs for social letting activities</b>	<b>23,237</b>	<b>25,372</b>
<b>Operating Surplus for Letting Activities</b>	<b>1,833</b>	<b>1,447</b>
2016	1,447	

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 £17,116,971 (2016-£16,380,592). Major repairs of £14,483,204 (2016-£13,645,215) were capitalised in the year.

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

	Grants from Scottish Ministers £'000	Restricted revenue grants £'000	Supporting people income £'000	Other income £'000	Total Turnover £'000	Other operating costs £'000	Year to 2017 Operating Surplus/(Deficit) £'000	Year to 2016 Operating Surplus/(Deficit) £'000
Support activities	-	-	173	293	466	494	(28)	(90)
Homefact	-	-	-	262	262	262	-	13
BLF (Belville Community Garden)	-	-	-	-	-	-	-	(38)
Support & Connect	-	35	-	11	46	69	(23)	(62)
Universal Credit	-	18	-	-	18	-	18	(2)
BLF - AFA Summer Camps	-	-	-	-	-	-	-	(3)
BLF - (Big Ideas) GAP	-	-	-	-	-	-	-	(10)
Scoping Exercise	-	-	-	-	-	-	-	-
Scottish Legal Aid Board	-	66	-	-	66	66	-	3
<b>Total from other activities</b>	<b>-</b>	<b>119</b>	<b>173</b>	<b>566</b>	<b>858</b>	<b>891</b>	<b>(33)</b>	<b>(189)</b>
2016	-	214	173	571	958	1,147	(189)	

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 2017**

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

All properties were transferred to the Company at nil value as part of the Large Scale Voluntary Stock Transfer from Inverclyde Council. During the year, 38 properties were sold under Right to Buy resulting in a gain on sale of £439,404. The cost of these properties totalled £nil. Security has been granted to lenders in respect of housing properties and net cumulative interest capitalised on housing properties at 31 March 2017 amounted to £nil (2016: £nil).

	<b>Housing Properties Held for Letting £'000</b>	<b>Housing Properties Held for Construction £'000</b>	<b>Totals £'000</b>
<b>Cost</b>			
At 1 April 2016	145,903	4,007	149,910
Additions during the period	15,045	4,064	19,109
Transfers during the period	114	(114)	-
Disposals during the period	(491)	-	(491)
At 31 March 2017	160,571	7,957	168,528
<b>Depreciation</b>			
At 1 April 2016	18,184	-	18,184
Provided during the period	4,314	-	4,314
Disposals during the period	(82)	-	(82)
At 31 March 2017	22,416	-	22,416

**Net Book Value**

As at 31 March 2017	<b>138,155</b>	<b>7,957</b>	<b>146,112</b>
As at 31 March 2016	127,719	4,007	131,726

Social Housing Grant is repayable under certain circumstances. The amount relating to asset disposal during the year is £132,868 (2016: £76,802).

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**4b. Tangible Assets - other**

	<b>Furniture and Fittings £'000</b>	<b>Computer Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
Balance as at 1/4/16	57	2,463	2,520
Additions during the period	-	341	341
Disposals during the period	-	-	-
At 31 March 2017	57	2,804	2,861
<b>Depreciation</b>			
Balance as at 1/4/16	40	2,191	2,231
Provided during the period	7	299	306
Disposals during the period	-	-	-
At 31 March 2017	47	2,490	2,537
<b>Net Book Value</b>			
As at 31 March 2017	<b>10</b>	<b>314</b>	<b>324</b>
As at 31 March 2016	17	272	289

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

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**4c. Intangible Assets**

	<b>Computer Software £'000</b>	<b>Website Development £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
Balance as at 1/4/16	-	-	-
Additions during the period	20	30	50
Disposals during the period	-	-	-
At 31 March 2017	20	30	50
<b>Amortisation</b>			
Balance as at 1/4/16	-	-	-
Provided during the period	7	10	17
Disposals during the period	-	-	-
At 31 March 2017	7	10	17
<b>Net Book Value</b>			
As at 31 March 2017	<b>13</b>	<b>20</b>	<b>33</b>
As at 31 March 2016	-	-	-

**5. Stock**

	<b>2017 £'000</b>	<b>2016 £'000</b>
General stock	119	128
	<b>119</b>	<b>128</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Rent arrears	2,130	1,908
Less: bad debt provision	(1,733)	(1,634)
	397	274
VAT	678	514
Prepayments	429	436
Intercompany Loan	500	-
Intercompany Debtors	431	-
Sundry debtors	1,014	720
Less: bad debt provision	(210)	(206)
	2,842	1,464
Grant receivable	2,380	1,070
	<b>5,619</b>	<b>2,808</b>

In October 2016, RCH entered into an intercompany loan agreement of £0.5 million with its subsidiary River Clyde Property Management. The interest associated with this loan agreement is 5% per annum. The loan is repayable upon demand.

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Sundry debtors	680	628
	<b>680</b>	<b>628</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**7. Creditors due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	423	259
Other taxation and social security	383	177
Rents in advance	136	234
Deferred Capital Grant (Note 9)	1,192	1,128
Loan (Note 8)	100	-
Intercompany creditors	363	-
Accruals and other creditors	10,127	7,884
	<b>12,724</b>	<b>9,682</b>

Energy Trust Loans are repayable over 10 years (£0.1 million within one year) and have no interest charge. Facility Loans are repayable at a fixed interest of 4.915% and loans are secured on the housing stock.

**8. Creditors due after one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Deferred Capital Grant (Note 9)	75,474	73,329
Loan	42,245	35,361
	<b>117,719</b>	<b>108,690</b>

**Loans**

Loans are repayable in instalment due as follows:-

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	100	-
Between one and two years	100	-
Between two and five years	300	-
In five years or more	41,845	35,361
	<b>42,345</b>	<b>35,361</b>

**RIVER CLYDE HOMES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

**9. Deferred Capital Grant**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	74,457	73,730
Grant Received in the Year	3,583	2,186
Capital Grant Released	(1,374)	(1,459)
	<b>76,666</b>	<b>74,457</b>
Amounts to be Released within One Year	1,192	1,128
Amounts to be Released after One Year	75,474	73,329
	<b>76,666</b>	<b>74,457</b>

**10. Employees**

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
The average full time equivalent number (including key management personnel) of persons employed by the	247.9	247.2
Group Services	35.8	40.9
Executive Management Team	8.6	7.7
Customer Services	104.6	91.6
Property and Development	36.6	39.8
Operations	62.3	67.2
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,381	7,466
Social security costs	675	551
Other pension costs	1,124	1,351
Staff costs during period	<b>9,180</b>	<b>9,368</b>

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

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2017

##### 10. Employees (continued)

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

	<b>2017 No.</b>	<b>2016 No.</b>
£60,001 to £70,000	-	-
£70,001 to £80,000	-	-
£80,001 to £90,000	1	-
£90,001+	3	2

	<b>2017 £'000</b>	<b>2016 £'000</b>
Aggregate emoluments for the above Key Management Personnel (excluding pension contributions)	409	304
The emoluments of the Chief Executive (excluding pension contributions)	122	119
Aggregate pension contributions in relation to the above key management personnel	26	20

There were redundancy costs of £1,102,181 in the year (2016: £547,506). No member of the Board received any emoluments in respect of their services to the Company.

##### 11. Pension Obligations

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

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

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017

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

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

	31/03/2017 % per annum	31/03/2016 % per annum
Retail Price Inflation	2.4	2.2
Increase in salaries	4.4	4.2
Increase in pension and deferred pensions	2.4	2.2
Discount rate	2.6	3.5

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

	31/03/2017 Assets 2017 £'000	31/03/2016 Assets 2016 £'000
Equities	29,186	23,046
Bonds	4,798	5,121
Property	3,998	3,841
Cash	1,999	-
<b>Total</b>	<b>39,981</b>	<b>32,008</b>

#### Net Pension Liability

	31/03/2017 £'000	31/03/2016 £'000	31/03/2015 £'000	31/03/2014 £'000	31/03/2013 £'000
Estimated Employer Assets	39,981	32,008	30,787	28,335	25,939
Present Value of funded liabilities	(50,588)	(37,423)	(40,133)	(35,470)	(31,798)
Present Value of unfunded liabilities	(1,853)	(1,317)	(1,301)	(1,165)	(1,056)
<b>Net Pension Liability</b>	<b>(12,460)</b>	<b>(6,732)</b>	<b>(10,647)</b>	<b>(8,300)</b>	<b>(6,915)</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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

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

	<b>31/03/2017</b>		<b>31/03/2016</b>	
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Expected return on Assets	39.8	1,128	32.8	992
Interest on pension scheme liability	(52.4)	(1,365)	(44.2)	(1,337)
<b>Net loss (B)</b>	<b>(12.6)</b>	<b>(237)</b>	<b>(11.4)</b>	<b>(345)</b>
<b>Net Revenue Account Costs (A) - (B)</b>	<b>59.1</b>	<b>1,433</b>	<b>54.3</b>	<b>1,642</b>

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

	<b>31/03/2017</b>		<b>31/03/2016</b>		<b>31/03/2015</b>		<b>31/03/2014</b>		<b>31/03/2013</b>	
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Service costs	29.6	762	34.4	1,040	30.0	894	26.9	846	21.2	689
Past service costs	16.9	434	8.5	257	0.1	2	-	-	-	-
<b>Total Operating Charge (A)</b>	<b>46.5</b>	<b>1,196</b>	<b>42.9</b>	<b>1,297</b>	<b>30.1</b>	<b>896</b>	<b>26.9</b>	<b>846</b>	<b>21.2</b>	<b>689</b>

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance Losses	(8,415)	(12,931)
Actuarial (loss)/gain	(5,390)	4,516
Increase/(Decrease) in Irrecoverable Surplus from Membership	-	-
<b>Actuarial (loss)/gain on assets and liabilities recognised in Comprehensive Income</b>	<b>(5,390)</b>	<b>4,516</b>
<b>Cumulative Actuarial Losses</b>	<b>(13,805)</b>	<b>(8,415)</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**11. Pension Obligations (continued)**

**Movement in pension deficit during the year**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Deficit at beginning	(6,732)	(10,647)
Current Service cost	(762)	(1,040)
Past Service cost	(434)	(257)
Expected Return on Employers assets	1,128	992
Interest Costs	(1,365)	(1,337)
Employers contribution	1,095	1,041
Actuarial (loss)/gain	(5,390)	4,516
<b>Pension deficit at end of year</b>	<b>(12,460)</b>	<b>(6,732)</b>

(ii) The Scottish Housing Associations' Pension Scheme

River Clyde Homes participates in the scheme, a multi-employer scheme which provides benefits to some 150 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**11. Pension Obligations (continued)**

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

**Deficit contributions**

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2017 to 28 February 2022: £25,735,092 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 30 June 2025: £727,217 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 31 October 2026: £1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

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

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

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**11. Pension Obligations (continued)**

**PRESENT VALUES OF PROVISION**

**RECONCILIATION OF OPENING AND CLOSING PROVISIONS**

	2017 £'000	2016 £'000
Provision at start of period	238	253
Unwinding of the discount factor (interest expense)	5	5
Deficit contribution paid	(20)	(20)
Remeasurements - impact of any change in assumptions	8	(1)
Remeasurements - amendments to the contribution schedule	42	-
Provision at end of period	273	238

**INCOME AND EXPENDITURE IMPACT**

	2017 £'000	2016 £'000
Interest expense	5	5
Remeasurements – impact of any change in assumptions	8	(1)
Remeasurements – amendments to the contribution schedule	42	-
Contributions paid in respect of future service*	269	269
Costs recognised in income and expenditure account	324	273

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

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**11. Pension Obligations (continued)**

**ASSUMPTIONS**

	2017	2016	2015
Rate of discount (% per annum)	1.06	2.29	2.22

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

The Scheme offers six benefit structures to employers, namely:

Final salary with a 1/60<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/80<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/120<sup>th</sup> accrual rate.

Defined Contribution (DC) option.

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

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

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

As at the statement of financial position date there were 119 active members of the Scheme employed by ourselves. The annual pensionable payroll in respect of these members was £3,508,492.

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

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

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 12. Company limited by guarantee

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

#### 13. Reconciliation of movement in reserves

<b>Income &amp; Expenditure Reserve</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Opening funds	22,494	18,386
Surplus/(Deficit) for period	51	(396)
Release of Indemnity Fund Woodhall Phase 2 & 3	-	(65)
Change in Accounting Estimate (SHAPS)	31	(21)
Tfr from Restricted Reserve	18	74
LGPS Actuarial (loss)/gain on pension scheme	(5,390)	4,516
Revenue reserve at end of year	<b>17,204</b>	<b>22,494</b>

<b>Restricted Reserves</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Opening funds	36	110
Movement in the Year	(18)	(74)
Restricted Reserve	<b>18</b>	<b>36</b>

<b>Restricted Reserve Detail</b>	<b>Opening Funds £'000</b>	<b>Movement in Year £'000</b>	<b>Balance £'000</b>
Scottish Legal Aid Board	12	(12)	-
Support & Connect	24	(6)	18
Restricted Reserve	<b>36</b>	<b>(18)</b>	<b>18</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>a) Reconciliation of operating surplus to Net cash inflow from operating activities</b>		
Operating surplus	1,800	1,258
Depreciation	4,557	3,794
Pension – employee income	338	601
Capital Grant Released	(1,374)	(1,459)
(Increase)/Decrease in debtors	(2,862)	12,071
Decrease in stock	9	577
Increase/(Decrease) in creditors	2,943	(6,607)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>5,411</u>	<u>10,235</u>
<b>b) Reconciliation of net cash flow to movement in net debt</b>		
(Decrease)/Increase in cash for the period	(4,782)	2,394
Loans received	(6,984)	(10,202)
Loan repayments	-	-
	<hr/>	<hr/>
Change in net debt	(11,766)	(7,808)
Opening Net debt	(23,066)	(15,258)
Net debt as at 31 March 2017	<u><b>(34,832)</b></u>	<u><b>(23,066)</b></u>

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

	<b>As at</b>	<b>Cash</b>	<b>Other</b>	<b>As at</b>
	<b>01/04/16</b>	<b>Flow</b>	<b>Changes</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	12,293	(4,782)	-	7,511
Debt due within one year	-	-	-	-
Debt due after one year	(35,359)	(6,984)	-	(42,343)
	<hr/>	<hr/>	<hr/>	<hr/>
	(23,066)	(11,766)	-	<b>(34,832)</b>

# RIVER CLYDE HOMES

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 15. Unit numbers under management

	2017 No.	2016 No.
Cottage	1,868	1,882
Flat	575	589
Maisonette	144	156
Multi-Storey	836	837
Tenement	2,292	2,341
	<b>5,715</b>	<b>5,805</b>

#### 16. Related Parties

Various members of the Board are Tenants of the Company. The transactions with the Company are all done on standard terms, as applicable to all Tenants. During the year £10,718 (2016: £12,866) of rent was receivable from these tenant members. At the year-end there were £nil (2016: £nil) of rent arrears due from these tenant members. There are also Councillors from Inverclyde Council on the Board. Any transactions with Inverclyde Council are made at arm's length, on normal commercial terms and these Board members cannot use their position on the Board to their or the council's advantage.

	RCH holding a participating interest in the company		Directors	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Sales of goods in year	91	-	-	-
Purchases of goods in year	1350	-	-	-
Loans given during the year	500	-	-	-
Owed by related parties at 31 March	431	-	-	-
Owed to related parties at 31 March	364	-	-	-

#### 17. Auditors Remuneration

	2017 £'000	2016 £'000
The remuneration of the auditors (excluding expenses and including VAT for the period)	<b>19</b>	<b>21</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

<b>18. Annual Operating Leases</b>	<b><u>2017</u></b>		<b><u>2016</u></b>	
	<b><u>£'000</u></b>		<b><u>£'000</u></b>	
	<b><u>Land &amp; Buildings</u></b>	<b><u>Other Assets</u></b>	<b><u>Land &amp; Buildings</u></b>	<b><u>Other Assets</u></b>
<b>Leases &lt; 1 year</b>	198	317	205	317
<b>Leases 1 - 5 years</b>	333	30	343	18
<b>Leases &gt; 5 years</b>	85	-	85	-
	<b>616</b>	<b>347</b>	<b>633</b>	<b>335</b>

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

<b>19. Interest Payable and Other Charges</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Banks and Building Society Loans	2,036	1,732
	<b>2,036</b>	<b>1,732</b>

<b>20. Capital Commitments</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Expenditure authorised by the Board	20,188	18,625
less certified	(11,699)	(7,878)
	<b>8,489</b>	<b>10,747</b>

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

