

# Financial Statements

for the year ended 31 March 2010

# River Clyde Homes

## Financial Statements

for the year ended 31 March 2010

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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**

#### **FOR THE YEAR ENDED 31 MARCH 2010**

#### **Introduction**

The Board present their Annual Report together with the audited accounts for the year ended 31 March 2010. 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 2009 to 31 March 2010.

#### **Principle Office and Registered Address**

Wallace Place  
Greenock  
PA15 1LZ

#### **Principal Activity**

The principal activity of the Company is the provision of social housing within the Inverclyde area. At transfer the Association received 7,870 houses from Inverclyde Council as a result of a whole stock transfer on 3 December 2007; at 31 March 2010 the current stock is 7,202 - 670 of which are closed pending demolition. The service is summarised as follows:

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

#### **Organisational Structure and Decision Making**

The organisational structure consists of a Board of Management consisting of volunteer Tenants, community members and Council nominees. The Board is supported by a Chief Executive, Management team and a range of specialist staff. The organisation is split into 3 directorates namely: Corporate Strategy, Operations and Neighbourhoods and Property & Renewal and the operation of the staff and directorates is governed by a full range of policies and regulations.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

The Members of the Board of the Company during the period to 31 March 2010 were as follows:

Fergus McCallum	Re-appointed at AGM Sep 09	Community Member
John M Williamson	Re-appointed at AGM Dec 08	Community Member
Alex Bowers	Re-appointed at AGM Sep 09	Tenant
Wilson Dunlop	Re-appointed at AGM Sep 09	Tenant
Charlie Macgregor	Re-appointed at AGM Sep 09	Community Member
Roy Steel, (Chair)	Re-appointed at AGM Dec 08	Tenant
Katrina Anderson	Re-appointed at AGM Dec 08	Tenant
Ken Ferguson	Died Apr 09	Councillor – Inverclyde Council
Charlie McCallum	Resigned Feb 10	Councillor – Inverclyde Council
Iain McKenzie	Re-appointed at AGM Sep 09	Councillor – Inverclyde Council
Jim Clocherty	Re-appointed at AGM Sep 09	Councillor – Inverclyde Council
Sam McEwan	Re-appointed at AGM Sep 09	Community Member
Innes Nelson	Appointed Sep 09	Councillor – Inverclyde Council

All tenancies for the above Tenant members of the Board are on Scottish Secure Tenancy Agreements in terms of the Housing (Scotland) Act 2001 and these members cannot use their position on the Board to their advantage. Any transactions with Inverclyde Council are made at arm's length, on normal commercial terms and the Board members who are also councillors cannot use their position on the Board to their or the council's advantage.

The company is limited by guarantee and does not have a share capital. The liability of the members is limited to £1 each. The Executive Officers of the Company hold no interest in the company's share capital and although not having the legal status of "director" they act as Executives within the authority delegated by the Board. It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction for the Company. They also monitor the operational activities of the Company. The members of the Board are unpaid.

The Executive Officers of The Company during the period to 31 March 2010 were as follows:

Chief Executive	Karen Neary	Resigned Sept 09
Chief Executive	Lynne Carr	Appointed Sept 09
Director of Corporate Services	James Aird	In post
Director of Operations and Neighbourhoods	David McCready	In post
Director of Property and Renewal	Vacancy filled by consultants	Appointed June 09

The Executive Management Team of the Company (as listed above) are responsible for achieving the strategy agreed by the Board, undertaking the operational activities in line with the policies agreed by the Board. The governing body is the Board, which is responsible to the wider membership. As at 31 March 2010, RCH had 101 members. Board members serve in a voluntary capacity, and it is recognised that this puts even more onus on the Executive Management Team to ensure that they set and achieve high standards of professionalism in their work.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

#### OUR OBJECTIVES AND STRATEGY

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

The Chair of the Board, Roy Steel, was in post for some time prior to the transfer date and has provided consistency, along with a number of his fellow Board members, throughout the process. Two of the senior Directorate team have also been in post prior to the transfer date.

Unfortunately during the year the Chief Executive, Karen Neary, resigned her post to pursue other opportunities. RCH are delighted that Lynne Carr was appointed as her successor in September 2009. Lynne has 20 years experience in the housing sector, has worked for Staffordshire Housing Association as deputy chief executive, Thenew Housing Association as a consultant and was director of Cube Housing Association in Glasgow for over eight years. She has also worked extensively in the charitable sector.

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

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

The River Clyde Homes vision:

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

The River Clyde Homes mission:

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

The River Clyde Homes goals are

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

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

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

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

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

#### FINANCIAL REVIEW

##### Overview

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

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

The cost of demolition and investment was estimated in the business plan over this period to 2015/16 to meet the SHQS and is estimated at £85m. The grant subsidy from the Scottish Government is £44.5m leaving a balance to be funded of £40.1m, which will be funded from a combination of rental income and loans. This year the SHQS target of 12% was attained, the major expenditure was mainly on internal modernisations and external cladding works.

In addition to investment in existing stock there is an ambitious new build programme which is progressing in line with expectations. The estimated cost of this new build programme is £125.42m of which there will be Housing Association Grant available of approximately £76.34m; the balance of £49.08m will be funded from loans.

During this year RCH and its external contractors went on site at East Greenock and Port Glasgow to begin building 141 and 195 houses respectively. The first completed houses at East Greenock will be handed over to tenants in May 2010.

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 £30.730m relates mainly to the income from the letting of properties which accounts for £30.275m of this total. The balance of income of £0.455m relates to Support and Wider Role activities.

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

Total Operating Expenditure was £29.832m, consisting of:

- Employees of £8.062m
- Running costs £1.223m
- Repairs and Maintenance £5.052m
- Demolition, Investment and Regeneration Expenditure £15.495m

The net deficit for the year after transfer to designated reserves was £1.275m which reduces the revenue reserve; see Note 11 on page 43.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

##### **Balance Sheet**

The housing stock was transferred to RCH at nil value and therefore the net book value in the Balance Sheet is nil. RCH own one office building in Port Glasgow and this was valued following transfer by DM Hall, a qualified chartered surveyor, at a value of £0.23m.

The debtors balance is £15.793m of which the gross rent debtor accounts for £3.558m. 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 of £0.347m.

##### **Reserves**

Note 11 on page 43 details the reserve position at the year end.

##### **Revenue Reserve**

From a surplus of £0.969m, £2.244m was transferred to designated reserves leaving a revenue deficit, excluding pension, of £1.275m.

##### **Designated Reserves**

As part of the Transfer Agreement, the first £1m of any potential indemnity claim will in the first 8 years 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 last years accounts. If this reserve is not called upon within the 8 year timescale of the VAT arrangement then the proceeds can be used for general expenditure within RCH.

A further £0.5m was earmarked in 2007/08 to meet the commitment of future major improvement programmes with a further £1m was also added to the designated reserve in 2008/09 to cover the cost of front funding our regeneration and investment programmes

In 2008/09 £1.520m was earmarked to cover the cost of future environmental works, the cost of employing apprentices and to fund holding investment. An additional £2.244m was added to the designated reserve in 2009/10 for the same purpose.

##### **Cash Flows**

The Cash Flow statement is shown on page 26. The net cash inflows from operating activities were £2.278m. The principal cash outflows were operating costs and investment.

##### **Financing and Liquidity**

The Balance Sheet shows there was still no debt drawn down in 2009/10 and the cash in hand was £0.347m. The 2009/10 cash flow was managed so that RCH would fund the current year's activities without recourse to a loan. In 2010/11, as the investment programme is fully underway, there will be recourse to borrowing to meet the RCH commitment to fund the share of the programme not met from grant.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

##### **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 and the grants from the Scottish Government amount to £121m. The business plan assumes that the peak debt will be reached in year 2019 and repaid by year 2031. RCH will finalise any hedging transactions during the financial year 2010/11.

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

##### **Planning for the future**

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

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

The key outputs from the 30 year plan are:

- Demolition of 2,500 houses that are non-sustainable
- Investment in 5,000 houses to meet the Scottish housing quality standard
- Build 1050 new houses for rent and low cost ownership
- Invest in operating processes to ensure customer satisfaction.

## **RIVER CLYDE HOMES**

### **REPORT OF THE BOARD**

#### **FOR THE YEAR ENDED 31 MARCH 2010**

#### **OPERATING REVIEW**

This is the second year of trading for RCH and there has been a significant amount of work done to deliver on the promises made to tenants.

#### **HOUSING MANAGEMENT**

##### **Rent conference**

RCH's tenants attended a Tenants' Conference in January 2010. The subject was 'How Your Rents Are Spent' and the aim of the conference was to describe how tenants can become more involved in RCH's housing finance matters; explain how tenants can affect decisions made about how rents are spent and discuss how RCH can develop a rent re-structuring policy to reduce unjustifiable differences between the rents of similar RCH's houses. The day was very successful and invited debate on this and other areas of the business.

##### **Scottish Housing Regulator Inspections**

An inspection was carried out by the Scottish Housing Regulator under section 69 of the Housing (Scotland) Act 2001 on behalf of Scottish Ministers in March 2010. The purpose of inspection is to provide an independent external assessment of the effectiveness of housing service delivery and make recommendations to help improvement. The inspection report is expected to be published in summer 2010.

##### **Grand Central Savings**

Grand Central Savings (GCS) opened a branch in Inverclyde on 29<sup>th</sup> March 2010. GCS is aimed at helping the financially excluded, and is supported by RCH. GCS was launched in 2001 in Glasgow to provide facilities for people who can't get a regular bank account. GCS will be working in partnership with other agencies and will give customers advice on managing their finances.

The Inverclyde branch is the second of what is hoped will be a number of branches to be set up across Scotland. RCH is backing the initiative financially and is providing a Branch Manager and 2 Cashiers who are being seconded for up to three years.

##### **Move to Sprinkell Street**

The maintenance and repairs team moved to new premises in Sprinkell Street from Crescent Street during the first couple of weeks in March 2010. The old offices and stores were outdated and unsuitable for current needs and, last year, a search for alternative, more suitable premises began. The Sprinkell Street premises allow the entire maintenance and repairs operation to be delivered from modern, fit for purpose accommodation.

##### **Praise for Sheltered Housing Services**

RCH's sheltered housing accommodation was awarded one of the highest ratings in Scotland, for a first graded inspection, following an inspection by the Care Commission. The inspection looked at six aspects of the service and involved an assessment of policies and procedures, visits to the complexes, discussions with relevant staff and analysis of feedback from residents and their families.

The service was awarded one 'excellent' grade, while the other five were assessed as being 'very good'. The Commission looked at two features in each of three areas of the service: Quality of Care and Support; Quality of Staffing and Quality of Management and Leadership. The 'excellent' grade was awarded for tenant participation in sheltered housing complexes. Additionally, the Commission made no specific requirements or recommendations for action to improve or change the services.

## **RIVER CLYDE HOMES**

### **REPORT OF THE BOARD**

#### **FOR THE YEAR ENDED 31 MARCH 2010**

##### **Customers' Survey**

A customers' survey was undertaken in February and March 2010 to find out what tenants and owners think about the services we provide and how we can improve them. A company called Research Resource was appointed to carry out the door-to-door survey of 20% of tenants and 10% of owners, approximately 1400 interviews took place. Customers were chosen randomly, although we tried to achieve a cross-section of representative customers in terms of age and geographic location. The survey took the form of a face-to-face interview lasting no more than half-an-hour. The results will be known in the summer of 2010.

##### **The Big Conversation**

RCH embarked on a large scale road show for staff in January/February 2010, with 230 employees attending. The purpose of this was to enable staff to have an input into the Business Plan for the next five years. These discussions included suggestion on ways RCH could become more efficient as stock numbers reduce, identifying what tasks are currently carried out well, what needs to be improved, what are our priorities are and how our structure could change to reflect the falling tenancies numbers.

##### **Up Close with Local Businesses**

RCH hosted this event at Port Glasgow Town Hall in November 2009. The day was designed to explain to local businesses and contractors the kind of contracts RCH have, and also to explain the tendering process. RCH is keen that local businesses have the opportunity to tender or sub contract for that work. The award of many RCH contracts is guided by European legislation and this is monitored to ensure compliance. Companies tendering for work have to meet a raft of statutory obligations and criteria which can sometimes seem complicated. The aim of the day was to explain to local contractors the process involved and the criteria companies should expect to meet. Local businesses also had the opportunity to meet with some of the current major contractors to explore opportunities to sub-contract works.

##### **Gas Safety**

Legislation requires that every Gas Safety appliance in RCH's properties is inspected annually, serviced and safe to use. Since transfer, the investment team team has made huge inroads into reducing the number of houses/ appliances falling out with this regime, from 87% to 99.85% by March 2010. Our 100% target will be achieved early in 2010/11. Gas safety is a never ending cycle and RCH are currently visiting tenants to re-inspect their homes on a cyclical basis.

##### **Community Clean up – Greenock East End**

A unique week-long, multi-agency approach towards community improvement was coordinated by RCH in August 2009. RCH, Inverclyde Council, Strathclyde Fire and Rescue, Invest The Community Health Partnership, Strathclyde Police and In-Work all joined forces for a weeks worth of events and environmental improvements in John Street, Cartsburn Street, Arthur Street and St Lawrence Street in Greenock's East End.

This is the first of a series of community engagement initiatives in Inverclyde which aim to encourage pride and improvement in specific, localised areas. The multi-agency approach will help residents to carry out environmental and community safety improvements.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

##### **Tenant and Residents Associations and Sounding Board**

There are, currently, 24 tenants and residents associations in Inverclyde who are Registered Tenants Organisations (RTOs) with RCH. Many are long established, Rankin Court celebrated their 40th anniversary last year, others have been constituted more recently with Port Glasgow Town Centre Tenants and Residents Association recently re-constituted. There are tenants and residents groups in most of the sheltered housing complexes, four of which are Registered.

RCH is also a key supporter of FITRA, The Federation of Inverclyde Tenants and Residents Associations. RCH is committed to developing the network of RTOs and encouraging all groups to participate in consultations and to influence the decisions we make.

RCH has signed up more than 300 tenants to be involved in its 'Sounding Board' initiative. The aim is to involve its tenants to develop and improve housing policies, including issues like communication, tenant involvement, repairs, rent setting and anti-social behaviour. The 300-plus team will play a major role in shaping future policies and activities.

##### **Increasing Membership**

A concerted effort has been made to increase the membership of RCH. In year 2008/09 there was 40 members. By the end of the financial year 2009/10 this had increased to 180 – a 450% improvement. This was achieved through a publicity campaign and a focussed effort by our neighbourhood officers. It is hoped that this figure can be further improved during the current year.

##### **Staff Conference**

RCH's first staff conference was held at the Arts Guild at the end of September 2009 with feedback from employees being very positive that it was a valuable event. Staff benefited from a motivational talk by guest speaker Jamie Andrew and presentations from senior management to raise awareness of what was happening across the organisation.

##### **Local Employment Opportunities**

Eleven long term unemployed people have now found full time work thanks to an innovative training programme run by Wates Living Space one of RCH contractors. The eleven candidates from the Inverclyde region completed a two week Building Futures training programme which equips candidates with construction skills, job preparation and an all-important boost to their self confidence to give them the best possible chance of leaving long term unemployment. Wates worked in partnership with Inverclyde Council, RCH, James Watt College and Inverclyde Community Development Trust to deliver the programme and identify the candidates to participate.

CCG and Lovell the 2 new build contractors for RCH have recruited 26 local people who were either long term unemployed or part qualified apprentices under the "Target Recruitment Training" section of the contract, the recruitment involves roles in both construction and administration.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

#### CORPORATE ISSUES

##### Attendance at Work

There has been a steady increase in attendance a particularly positive impact on long term sickness through the development of occupational health services.

##### Family friendly benefits

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

##### Health & Wellbeing

- We have a culture of encouraging excellent performance. A series of interactive workshops was delivered in order to give a clearer understanding of HR policies and procedures and also to gain employee feedback which could be incorporated to processes.
- 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.
- Planning in relation to the Equalities Day took place in the year, this event will be held in June 2010.
- We achieved the Healthy Working Lives Bronze Award in May 2010 and we made significant progression towards achievement of the Healthy Working Lives Silver and Mental Health & Wellbeing Commendation Awards.
- Three unemployed Inverclyde residents had voluntary placements as Business Trainees. 10 young people from Inverclyde Schools were given meaningful work experience in order to develop employability skills. This has strengthened community links.
- The Scotland's Mental Health First Aid Course was delivered in partnership with Inverclyde Council. Participants included RCH employees and the public. Feedback has been excellent and further courses are planned throughout 2010-11

##### Learning Opportunities

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

- Scottish Vocational Qualifications
- Further education within college or university setting
- Day release, evening class, distance learning
- Short courses
- Equal Opportunities Awareness training took place. Feedback has been extremely positive and it provides employees with an improved understanding of how Equal Opportunities affect our work as a Housing Association.
- The Maintenance Team have been heavily involved in training with their training sessions commencing in January 2010.
- Each member of the out of office team have attended sessions which include Lone Working & Personal Safety, Abrasive Wheels, Child Protection Awareness delivered by Inverclyde Councils Child Protection Committee, General Risk Awareness, Men Health and Healthy eating talks.
- Legionella awareness training was attended by member of the factoring team at the end of January 2010.
- Since March 2010, four members of the Maintenance Team are now fully qualified to produce Energy Performance Certificates internally.
- Numerous conferences were attended by members of RCH staff throughout the year, including Chartered Institute of Housing and Chartered Institute of Personnel & Development

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

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

- HNC Construction Practice
- Post Graduate Diploma in Leadership
- BSc Information Technology
- CIH Level 3 Certificate
- Housing Maintenance
- Cosca Counselling Skills
- CIMA Certificate in Business Accounting
- Diploma/MSc Housing Studies
- CIPS levels 2, 3 and 4
- Professional Paralegal Qualifications – Civil Court Procedures
- Post Graduate Diploma/MSc in Human Resource Management
- Certificate in Nutritional Advice

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

#### **Apprentices**

Our 6 apprentices progressed well and are now well underway towards achieving the college qualifications and experience required to gain their trade apprenticeships

#### **International Vocational Learning**

We continued our commitment to facilitating free, international work placements as part of the Leonardo da Vinci project, a vocational learning programme which runs throughout Europe. RCH offered another trainee a placement during this year where they gained knowledge of social housing in the area.

#### **Partnership**

We continue to be committed to promoting and maintaining the best relationship with our trade union partners through the creation of a partnership. Regular meetings of the trade union Partnership forum took place throughout the year. These meetings were well attended by all 4 trade unions who have signed the RCH recognition agreement.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

#### PROPERTY AND RENEWAL

##### Investment

RCH has a major task to perform by 2015/16 in terms of the improvement of sustainable units to bring them up to the Scottish Housing Quality Standard, and the demolition of unsustainable stock. To enable this, and as part of the transfer agreement, grant is awarded by the Scottish Government. For the year to 31 March 2010 the available grant, the actual expenditure and grant claimed are as follows (there were no additional monies from borrowing):-

	Available Grant	Expenditure	Grant Claimed
Improvements	£5.521m	£19.303m	£5.521m
Demolition	£1.806m	£2.251m	£1.806m
Asbestos	£0.722m	£0.959m	£0.722m

RCH successfully met its target of 12% of its stock achieving the Scottish Housing Quality Standard (SHQS) by 31<sup>st</sup> March 2010. The target for 31<sup>st</sup> March 2011 is 22% and programmes are in place to ensure this is achieved.

There are five key elements to the SHQS.

- Above tolerable standard
- Free from serious disrepair (which is the basis of the external works programme)
- Energy efficient (basis of central heating programme and information works)
- Modern facilities (which comprises the main part of the internal works programme)
- Health, Safe and Secure (elements if this are apportioned to the internal and external works programmes)

The following programmes ensure that SHQS will be achieved for each dwelling.

Internal Works or mini modifications have been completed in 719 properties in Mid Auchenleck, Heather/Rowan/Thistle Courts, Greenock West, Port Glasgow town centre and the BISF houses in Greenock and Port Glasgow with new kitchens, bathrooms and rewires being completed.

External works have been completed on 525 units in the year. External cladding works was completed at Regent, Royal, Ravenscraig Courts with work well advanced on both Rankin Court and Eastern View where the cladding work is complete but further non SHQS capital works are now also nearing completion. Heather, Rowan and Thistle courts had roofs resurfaced, external upgrading work was carried out on the BISF houses in South Maukinhill and Riverside Gardens' external render repairs were completed.

Negotiation with the owner occupiers at Davidson Drive have now been concluded, with a site start planned for the new financial year 2010/2011.

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 meant the majority of the stock has hot water tank and pipe insulation, loft insulation and a significant number of properties with cavity wall insulation. As part of the internal and external works programme, energy efficient elements are being checked and upgraded if required.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

Environmental Improvements - The environmental works programme has still to commence, works are ongoing to establish requirements and prepare a tender package to deliver the required upgrades to the surrounding environment of our properties.

#### **Demolition**

292 units were demolished this year including the final phase of machine demolition at Kelso Court which was complete in March 2010. In 2010/11 there will be demolition contractors on various RCH sites which have been approved for demolition by the board. The next high-rise scheduled for demolition is Melrose Court.

#### **Asbestos**

Works are progressing with asbestos removal/treatment works, the majority of these works are being identified through our internal Kitchens, Bathroom and Rewire projects.

#### **Asset Management System**

Works are continuing with the implementation of RCH's Asset Management System, provisions are now being made to sense check historical records prior to information being uploaded to system, including information on complete SHQS works to date.

#### **Building the future**

In September 2009 a landmark framework agreement for the first four years of RCH's new-build programme was signed. This over-arching document is a contract pre-selection process involving three contractors: CCG (Scotland) Ltd, Lovell and Cruden Building and Renewals Ltd. It gives RCH a pool of high-quality experience to deliver on its multi-tenure new build development across Inverclyde over the next four years. This pre-selection process will enable RCH to proceed with its ambitious plans at a greater pace, saving time on having to deal with up to 80 individual tenders for each contract.

#### **New Build Programme**

RCH began building new houses on sites in Port Glasgow (195 houses) and Greenock East (141 units).

#### Port Glasgow

The 195 units will be constructed over three sites at

- Woodhall- 102 units
- Oronsay Avenue- 61 units
- Moray Road- 32 units

The commission for the first phase of housing at Woodhall also included a masterplan proposal for the whole site for which a multi-tenure development is envisaged. The Woodhall site is a challenging one given the topography of the site and the excavation requirements to create the level plateaus which are needed to meet our commitment to providing Housing for Varying Needs. The design solution is to construct, largely, split level units on this site.

## RIVER CLYDE HOMES

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2010

The masterplan sets out proposals for a further 82 houses for rent / NSSE and 162 houses for open market sale. The masterplan also provides for community facilities and the re-location of the existing retail unit. It is considered essential that the Woodhall area is developed to include improved community facilities and amenities to ensure long term sustainability.

Outline planning permission for the masterplan area and detailed permission for the 195 units across Port Glasgow was granted in May 2009. This permission included for the construction of two play areas, one at Woodhall, the other at Oronsay and the improvement of open space at Phase 1 in Woodhall to create a park development.

It is envisaged that this project will be completed by March 2012.

#### East Greenock

The 141 units are being constructed over three sites in close geographic proximity at

- Gilmour Street - 90 units
- Grosvenor Road - 43 units
- East Crawford Street - 8 units

This project will be completed by March 2012, which represents a saving on timescale of approximately 12 months in the estimated programme due to the early availability of the Sinclair Street/Carwood Street site following a fire incident. The sites for development in East Greenock have the added complexity of phasing to complete the cycle of new build/occupation/demolition/re-use land for further new build.

The east end of Greenock is well provided with community facilities and amenities. Therefore these were not required by way of planning the new developments into the existing streetscape. An offsite contribution was required as part of the planning consent received on May 2009 to upgrade the play facilities at a neighbouring play area.

#### **Maintenance**

During 2009/10 the total of repairs ordered by RCH reduced from 26,640 in 2008/09 to 21,807. This was achieved by implementing improvements in the administrative management of the repair ordering process at the point the repair request is received, combined with a minor revision of the internal structure and the job allocation and management process.

These improvements also positively resulted in a reduction in emergency repairs as a % of all repairs from 31% in 2008/09 to 29% for 2009/10.

Performance for jobs completed within target time across the repair categories improved during 2009/10 from previous years as shown below:

	2007/08	2008/09	2009/10
Emergency repairs	89.53%	97.83%	99.71%
Urgent repairs	39.77%	83.77%	94.61%
Routine repairs (all)	67.72%	76.35%	78.77%

**RIVER CLYDE HOMES**

**REPORT OF THE BOARD**

**FOR THE YEAR ENDED 31 MARCH 2010**

Both the procurement of a national schedule of rates package in 2009, and the current review of these schedules, to make them bespoke for RCH, should show further future improvements in all repair figures during 2010/11.

Over 10% of customers who received a repair during 2009/10 were surveyed to determine their satisfaction of the repair service. 95% of those customers were satisfied with the service they received.

**Information for auditors**

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

**Auditors**

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Signed on behalf of the Board:

Approved by the Board on:

## **RIVER CLYDE HOMES**

### **STATEMENT ON BOARD RESPONSIBILITIES**

#### **FOR THE YEAR ENDED 31 MARCH 2010**

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 27 to 29, and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The Board is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## RIVER CLYDE HOMES

### BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

#### FOR THE YEAR ENDED 31 MARCH 2010

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 2010**

The Board have continued to review the system of internal financial control in the Company during the period ended 31 March 2010. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Board

Date:

## RIVER CLYDE HOMES

### Auditors' report on Corporate Governance matters

#### Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Boards statement on pages 19 and 20 concerning the Company's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

#### Basis of Opinion

We carried out our review having regard to the Bulletin 2006/5 that was issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

#### Opinion

In our opinion the Statement on Internal Financial Control on pages 19 and 20 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Glasgow

Date:

## **RIVER CLYDE HOMES**

### **Independent auditors' report to the members of River Clyde Homes**

We have audited the financial statements on pages 24 to 46, which have been prepared under the accounting policies set out on pages 27 to 29. 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 Registered Social Landlord's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Registered Social Landlord'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 Registered Social Landlord and the Registered Social Landlord'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 auditors**

The Board's responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement on Board Responsibilities on page 18.

Our responsibility is to audit 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**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Registered Social Landlord's affairs as at 31 March 2010 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

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

## RIVER CLYDE HOMES

### 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 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

W. Michael Blyth  
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:

**RIVER CLYDE HOMES**

**INCOME & EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £000's	2009 £000's
<b>Turnover</b>	2	30,730	27,611
Operating costs	2	(29,832)	(25,052)
<b>Operating surplus</b>		898	2,559
Profit on sale of fixed assets		167	287
Interest receivable and other income		28	206
Interest payable and similar charges		(27)	(239)
Other financing (expense)/income	9	(97)	53
<b>Surplus on ordinary activities before taxation</b>		969	2,866
Taxation on surplus on ordinary activities		0	0
<b>Surplus for the year</b>	11	<b>969</b>	<b>2,866</b>
Transfer to designated Reserves		(2,244)	(2,520)
<b>Revenue Reserve</b>		<b>(1,275)</b>	<b>346</b>

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 MARCH 2010**

	2010 £000's	2009 £000's
<b>Surplus for the year</b>	969	2,866
Pension deficit transferred from Inverclyde Council	0	0
Actuarial (loss) on pension scheme	(6,727)	(2,223)
<b>Total recognised (deficit)/surplus for the year</b>	<b>(5,758)</b>	<b>643</b>

## RIVER CLYDE HOMES

## BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	2010 £000's	2009 £000's
<b>Fixed Assets</b>			
Housing properties - depreciated cost	4	23,205	4,259
Less: Social Housing Grant	4	(15,915)	(4,259)
		<u>7,290</u>	<u>0</u>
Other fixed assets	4	318	385
		<u>7,608</u>	<u>385</u>
<b>Current Assets</b>			
Stock	18	119	133
Debtors	5a	15,793	14,656
Debtors due after more than one year	5b	34,756	51,862
Cash at bank and in hand		347	5,529
		<u>51,015</u>	<u>72,180</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>(18,741)</u>	<u>(16,115)</u>
<b>Net current assets</b>		32,274	56,065
<b>Total assets less current liabilities</b>		<u>39,882</u>	<u>56,450</u>
<b>Creditors: amounts falling due after more than one year</b>	7	(34,523)	(51,862)
Pension Liability	9	(7,338)	(809)
<b>Net (Liabilities)/Assets</b>		<u><b>(1,979)</b></u>	<u>3,779</u>
<b>Capital and Reserves</b>			
Revaluation Reserve	11	220	225
Designated Reserve	11	6,264	4,020
Revenue Reserve	11	(8,463)	(466)
		<u><b>(1,979)</b></u>	<u>3,779</u>

These financial statements were approved and authorised for issue by the Board on 21 September 2010 and signed on their behalf by:

Chairman of Board:

Secretary:

Board member:

RIVER CLYDE HOMES

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	£000's	£000's	£000's	£000's
<b>Net cash inflow/(outflow) from operating activities</b>		2,278		(10,219)
<b>Return on investments and servicing of finance</b>				
Interest received	28		206	
Interest paid	(27)		(239)	
Other finance (expense)/income	(97)		53	
		<u>          </u>	<u>          </u>	
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		(96)		20
		<u>          </u>	<u>          </u>	
<b>Capital expenditure and financial investment</b>				
Purchase of other fixed assets	(7,531)		(102)	
Sale of properties	1,035		1,921	
Repayment of proceeds form sale of properties	(868)		(1,634)	
		<u>          </u>	<u>          </u>	
<b>Net cash (outflow)/inflow from capital expenditure</b>		(7,364)		185
		<u>          </u>	<u>          </u>	
<b>Net cash outflow before financing</b>		(5,182)		(10,014)
		<u>          </u>	<u>          </u>	
<b>Financing</b>				
Loan advances received	0		0	
Loan principal repayments	0		0	
Loan redemption payments	0		0	
		<u>          </u>	<u>          </u>	
<b>Net cash inflow from financing</b>		0		0
		<u>          </u>	<u>          </u>	
<b>Decrease in cash in period</b>		(5,182)		(10,014)
		<u>          </u>	<u>          </u>	

Further details are given in note 12.

**RIVER CLYDE HOMES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

**1. Principal Accounting Policies**

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

**a) Basis of Preparation**

The accounts are prepared in accordance with applicable accounting standards, under the historical cost convention and on a going concern basis.

**b) Turnover**

Turnover represents rental income from the letting of properties, 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 company's policy is to capitalise the following:

- cost of acquiring land and buildings
- development expenditure
- interest charged on the development loans raised to finance the scheme.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the scheme will not be developed to completion.

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:

- an increase in net rental income, or
- a 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 currently charged to the income and expenditure account.

**RIVER CLYDE HOMES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

d) **Depreciation**

**Housing Land and Buildings**

Housing Properties are stated at cost less social housing grant, other public grants and accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%.

Housing under construction is not depreciated.

No depreciation is charged on the cost of land.

**Other Fixed Assets**

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

Office Buildings	- 2% straight line
Furniture and Equipment	- 20% straight line
Computer Equipment	- 33 1/3% straight line

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

e) **Support Grant**

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

f) **Value added tax**

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

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2010

g) **Pension**

The company participates in two pension schemes as follows:

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

2) Scottish Federation of Housing Associations' pension scheme which is a multi employer defined benefit scheme managed by the Pension Trust.

h) **Allocation of Owner Occupier Income**

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

i) **Operating Lease Agreements**

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

j) **Sale of housing properties**

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

k) **Development Agreement**

The company has entered into agreements with Inverclyde Council whereby the undertaking of catch-up repairs and improvement works remained with Inverclyde Council, with that obligation sub-contracted to RCH. This has been shown on the Company's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both sums will be adjusted downwards by the appropriate amount.

l) **Stock**

Stock is stated at the lower of cost and net realisable value.

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.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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	30,275	29,236	1,039	2,637
Other activities	455	596	(141)	(78)
<b>Total</b>	<b>30,730</b>	<b>29,832</b>	<b>898</b>	2,559
2009	27,611	25,052	2,559	

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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

	<b>2010</b>	<b>2009</b>
	<b>£000's</b>	<b>£000's</b>
Rent receivable net of Service Charges	21,549	21,655
Service Charges	603	435
<b>Gross income from rents and service charge</b>	<b>22,152</b>	<b>22,090</b>
Less voids	(1,800)	(1,835)
<b>Net income from rents and service charges</b>	<b>20,352</b>	<b>20,255</b>
Grants from the Scottish Ministers	8,043	6,424
Other Income	1,880	594
<b>Total turnover from social letting activities</b>	<b>30,275</b>	<b>27,273</b>
Management and maintenance administration costs	12,182	10,185
Planned and cyclical maintenance inc major repair costs	11,438	9,087
Reactive maintenance costs	5,052	4,858
Bad Debts - rents and service charge	419	506
Depreciation of social housing	145	0
<b>Operating costs for social letting activities</b>	<b>29,236</b>	<b>24,636</b>
<b>Operating Surplus for Letting Activities</b>	<b>1,039</b>	<b>2,637</b>
2009	2,637	

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

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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

	Grants from Scottish Ministers £000's	Other revenue grants £000's	Supporting people income £000's	Other income £000's	Total Turnover £000's	Other operating costs £000's	Year to 2010 Operating (Deficit) £000's	Year to 2009 Operating (Deficit) £000's
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	92	0	0	16	108	171	(63)	0
Support activities	0	0	347	0	347	425	(78)	(78)
<b>Total from other activities</b>	<b>92</b>	<b>0</b>	<b>347</b>	<b>16</b>	<b>455</b>	<b>596</b>	<b>(141)</b>	<b>(78)</b>
2009	0	0	338	0	338	416	(78)	

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 2010

**4. 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 38 properties have been sold under Right to Buy resulting in a gain on sale of £167K.

Security has been granted to lenders in respect of housing properties, net cumulated interest capitalised on housing properties at 31 March 2010 amounted to nil.

	<b>Housing Properties Held for Letting £000's</b>	<b>Housing Properties Held for Construction £000's</b>	<b>Totals £000's</b>
<b>Cost</b>			
Balance as at 1/4/09	406	3,853	4,259
Additions during the period	7,909	11,182	19,091
Revaluations during the period	0	0	0
Disposals during the period	0	0	0
<b>At 31 March 2010</b>	<b>8,315</b>	<b>15,035</b>	<b>23,350</b>
<b>Depreciation</b>			
Balance as at 1/4/09	0	0	0
Provided during the period	145	0	145
Disposals during the period	0	0	0
<b>At 31 March 2010</b>	<b>145</b>	<b>0</b>	<b>145</b>
<b>Social Housing Grant</b>			
Balance as at 1/4/09	406	3,853	4,259
Additions during the period	645	11,011	11,656
<b>At 31 March 2010</b>	<b>1,051</b>	<b>14,864</b>	<b>15,915</b>
<b>Net Book Value</b>			
<b>As at 31 March 2010</b>	<b>7,119</b>	<b>171</b>	<b>7,290</b>
<b>As at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

4. Tangible Assets - other

	Land and Buildings £000's	Computer Equipment £000's	Total £000's
<b>Cost</b>			
Balance as at 1/4/09	230	377	607
Additions during the period	0	96	96
Revaluations during the period	0	0	0
Disposals during the period	0	0	0
At 31 March 2010	230	473	703
<b>Depreciation</b>			
Balance as at 1/4/09	5	217	222
Provided during the period	5	158	163
Disposals during the period	0	0	0
At 31 March 2010	10	375	385
<b>Net Book Value</b>			
As at 31 March 2010	<b>220</b>	<b>98</b>	<b>318</b>
As at 31 March 2009	225	160	385

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

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

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**5a. Debtors due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£000's</b>	<b>£000's</b>
Rent arrears	3,558	3,220
Less: bad debt provision	(3,239)	(2,905)
	319	315
Sundry debtors	2,588	2,113
Development agreement	10,213	9,302
Grant receivable	2,673	2,926
	<b>15,793</b>	14,656

**5b. Debtors due after more than one year**

	<b>2010</b>	<b>2009</b>
	<b>£000's</b>	<b>£000's</b>
Development agreement	34,756	51,862
	<b>34,756</b>	51,862

In accordance with the Development Agreement accounting policy, included in debtors is a balance of £44.7m (£10.2m 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 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 2010

6. Creditors due within one year

	2010	2009
	£000's	£000's
Trade creditors	506	1,888
Other taxation and social security	163	26
Rents in advance	558	424
Development agreement	10,213	9,302
Accruals and other creditors	7,301	4,475
	<b>18,741</b>	<b>16,115</b>

7. Creditors due after one year

	2010	2009
	£000's	£000's
Obligated repairs under development agreement	34,523	51,862
	<b>34,523</b>	<b>51,862</b>

**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 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 2010**

	<b>2009/10</b>	<b>2008/9</b>
	<b>£000's</b>	<b>£000's</b>
<b>8 Employees</b>		
Wages and salaries	6,755	6,423
Social security costs	507	486
Other pension costs	800	686
Staff costs during period	8,062	7,595

	<b>No.</b>	<b>No.</b>
The average full time equivalent number of persons employed by the Company during the period were as follows:	260.9	264.9
Corporate Services	49.0	34.7
Executive Management Team	5.0	4.0
Operations and Neighbourhoods	90.3	108.5
Property and Renewal	22.5	21.8
Maintenance Team	94.1	95.9

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.

	<b>£000's</b>	<b>£000's</b>
Aggregate Emoluments payable to Directors (excluding employers NI)	282	338
Emoluments payable to Highest Paid Director (excluding employers NI)	84	109

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

	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	3	3
£70,001 to £80,000	0	0
£80,001 to £90,000	0	0
£90,001 to £100,000	0	1

The Company's pension contributions for the Chief Executive in the period amounted to £15,488

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 2010**

**9. 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 SFHA 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:

	<b>31/03/2010</b> % per annum	<b>31/03/2009</b> % per annum
Retail Price Inflation	3.8	3.1
Increase in salaries	5.3	4.6
Increase in pension and deferred pensions	3.8	3.1
Discount rate	5.5	6.9

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

	<b>31/03/2010</b>		<b>31/03/2009</b>	
	<b>Assets</b> <b>2010</b> £M	<b>Long term</b> <b>Returns</b> <b>2010</b> %	<b>Assets</b> <b>2009</b> £M	<b>Long term</b> <b>Returns</b> <b>2009</b> %
Equities	13,854	7.8	8,891	7.0
Bonds	2,339	5.0	1,949	5.4
Property	1,259	5.8	974	4.9
Cash	540	4.8	365	4.0
<b>Total</b>	<b>17,992</b>	<b>7.2</b>	<b>12,179</b>	<b>6.5</b>

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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

Net Pension (Liability)

	31/03/2010 £000's	31/03/2009 £000's
Estimated Employer Assets	17,992	12,179
Present Value of scheme liabilities	25,330	12,988
<b>Net Pension Liability</b>	<b>(7,338)</b>	(809)

Analysis of the amount charged to operating profit

	31/03/2010		31/03/2009	
	%	£000's	%	£000's
Service costs	11.7	549	14.0	678
Past service costs	3.9	181	0.0	0
<b>Total Operating Charge (A)</b>	<b>15.6</b>	<b>730</b>	14.0	678

Analysis of the amount credited to other finance income

	31/03/2010		31/03/2009	
	%	£000's	%	£000's
Expected return on Assets	17.6	825	23.1	1,114
Interest on pension scheme liability	(19.7)	(922)	(20.6)	(996)
Bid Value restatement		0		(65)
<b>Net return (B)</b>		<b>(97)</b>		53
<b>Net Revenue Account Costs (A) - (B)</b>	<b>17.7</b>	<b>827</b>	14.0	625

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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

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

	<b>2009/10</b>	<b>2008/9</b>
	<b>£000's</b>	<b>£000's</b>
Opening Balance Gains and Losses	(741)	1,479
Bid Value restatement	0	3
Actuarial losses	(6,727)	(2,223)
<b>Actuarial loss on assets and liabilities recognised in STRSD</b>	<b>(6,727)</b>	<b>(2,223)</b>
<b>Cumulative Actuarial Losses</b>	<b>(7,468)</b>	<b>(741)</b>

**Movement in pension deficit during the year**

	<b>2009/10</b>	<b>2008/9</b>
	<b>£000's</b>	<b>£000's</b>
(Deficit)/Surplus at beginning	(809)	1,156
Bid Value restatement	0	(65)
Current Service cost	(549)	(678)
Past Service cost	(181)	0
Expected Return on Employers assets	825	1,114
Interest Costs	(922)	(996)
Employers contribution	1,025	883
Actuarial losses	(6,727)	(2,223)
<b>Pension deficit at end of year</b>	<b>(7,338)</b>	<b>(809)</b>

## RIVER CLYDE HOMES

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2010

#### 9. Pension Obligations (continued)

##### (ii) The SFHA Pension Scheme

RCH participates in the SFHA 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 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010.

The Scheme offers three benefit structures to employers, namely:

Final salary with a  $1/60^{\text{th}}$  accrual rate.

Career average revalued earnings with a  $1/60^{\text{th}}$  accrual rate.

Career average revalued earnings with a  $1/70^{\text{th}}$  accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

RCH has elected to operate the final salary with a  $1/60^{\text{th}}$  accrual rate benefit structure for new entrants from 3<sup>rd</sup> December 2007.

During the accounting period RCH paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were at the rate of 7.7%.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

**9. Pension Obligations - The SFHA Pension Scheme (continued)**

As at the balance sheet date there were 18 active members of the Scheme employed by RCH. RCH continues to offer membership of the Scheme to its employees.

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

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

<b>2006 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	7.2
Investment return post retirement	4.9
	4.6
Rate of salary increases	
Rate of pension increases	
- Pension accrued pre 6 April 2005	2.6
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
	2.6
Rate of price inflation	
<b>Mortality Tables</b>	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short
<b>Contribution Rates for Future Service</b>	
	<b>%</b>
Final salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

**10. Company limited by guarantee**

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

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

11. Reconciliation of movement in reserves

<b>Revenue Reserve</b>	<b>2010</b>	<b>2009</b>
	<b>£000's</b>	<b>£000's</b>
Opening funds	(466)	1,406
Surplus for period	969	2,866
Actuarial loss on pension scheme	(6,727)	(2,223)
Transfer from Revaluation Reserve	5	5
Transfer to designated reserve	(2,244)	(2,520)
Revenue reserve at end of year	<b>(8,463)</b>	(466)

<b>Designated Reserve</b>	<b>2010</b>	<b>2009</b>
	<b>£000's</b>	<b>£000's</b>
Opening funds	4,020	1,500
Transfer from revenue reserve	2,244	2,520
Designated reserve at end of year	<b>6,264</b>	4,020

<b>Revaluation Reserve</b>	<b>2010</b>	<b>2009</b>
	<b>£000's</b>	<b>£000's</b>
Opening funds	225	230
Transfer to Revenue Reserve	(5)	(5)
Revaluations in year	0	0
Revaluation reserve at end of year	<b>220</b>	225

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

12. Notes to the Cash Flow Statement

Notes to the Cash Flow Statement

	2010	2009
	£000's	£000's
<b>a) Reconciliation of operating surplus to Net cash inflow from operating activities</b>		
Operating surplus	898	2,559
Depreciation	308	130
Pension – employee costs difference	(295)	(205)
Pension – other finance expense/(income)	97	(53)
Decrease in debtors	15,969	6,353
Decrease/(Increase) in stock	14	(17)
(Decrease) in creditors	(14,713)	(18,986)
	<u>2,278</u>	<u>(10,219)</u>
<b>b) Reconciliation of net cash flow to movement in net debt</b>		
(Decrease) in cash for the period	(5,182)	(10,014)
Loans received	0	0
Loan repayments	0	0
Change in net debt	<u>(5,182)</u>	<u>(10,014)</u>
Opening Net debt	0	0
Net debt as at 31 March 2010	<u>(5,182)</u>	<u>(10,014)</u>

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

	As at 01/04/2009	Cash Flow	Other Changes	As at 31/03/10
	£000's	£000's	£000's	£000's
Cash at bank and in hand	5,529	(5,182)	0	347
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>5,529</u>	<u>(5,182)</u>	<u>0</u>	<u>347</u>

**RIVER CLYDE HOMES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

**13. Capital Commitments**

	<b>2010</b>	<b>2009</b>
	<b>£000'S</b>	<b>£000'S</b>
Expenditure authorised by the Board	42,536	0
less certified	13,553	0
	<b>28,983</b>	<b>0</b>

All above commitments are funded by grant or private finance

**14. Unit numbers under management**

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
Cottage	1,523	1,546
Flat	724	757
Maisonette	301	363
Multi-Storey	1,051	1,118
Tenement	2,933	3,165
	<b>6,532</b>	<b>6,949</b>

**15. 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.

**16. Auditors Remuneration**

	<b>2009/10</b>	<b>2008/9</b>
	<b>£000's</b>	<b>£000's</b>
The remuneration of the auditors (excluding expenses and including VAT for the period)	<b>14</b>	<b>14</b>

**RIVER CLYDE HOMES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**17. Annual Operating Leases**

	<u>Per annum £000's</u>	<u>Per annum £000's</u>
	<b>2010</b>	<b>2009</b>
Leases < 1 year	0	70
Leases 1 - 5 years	456	340
Leases > 5 years	0	0
	<u><b>456</b></u>	<u><b>410</b></u>

All above leases relate to land and buildings

**18. Stock**

	<b>2010 £000s</b>	<b>2009 £000s</b>
Cost of developing properties	1,122	0
Grant received to develop properties	(1,122)	0
	<u>0</u>	<u>0</u>
General stock	119	133
	<u><b>119</b></u>	<u><b>133</b></u>





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