Value for Money self assessment – making a difference

As a not-for-profit organisation, Rooftop invests its surpluses back into the local community by building new homes, improving existing homes and supporting community initiatives.

We need to make sure that every penny counts – focussing not just on how much we spend, but how and where we spend it – to have the best impact on achieving our mission.

Our approach

Last year, we expanded the basket of Value for Money indicators we use to assess our performance. They are designed to show a wider picture of what we are doing, rather than just focussing on 'traditional' landlord housing management. We've divided these targets into three groups:

- **Return on assets**
  This measures the big, headline information about the impact Rooftop is making through its assets. We want these targets to show how well we are using our assets to:
  - provide great services which meet our residents' needs
  - deliver new homes to help solve the wider housing crisis
  - reduce our impact on the environment
  - generate a financial return, which can then be reinvested in the other priorities above.

  These areas are crucial to us and we really want to make a difference through using our assets well.
- **Cost of specific services**
  This is about how we compare to other similar landlords in terms of costs. The areas we are reporting on cover all of our major frontline landlord services, plus our spending on overheads (back office areas such as Human Resources, Finance and Information Technology).
- **Service outcomes / social return**
  Value for Money can't just be about how cheap things are. That's why we've set out targets to measure how good the services we provide actually are.

Comparison with others – HouseMark

To help us compare the cost and effectiveness of our services, we are members of HouseMark benchmarking. This allows us to compare our own performance over time, and also to compare ourselves to other similar organisations – Local Authority stock transfer organisations (LSVTs) in the Central region with 2,500-7,500 homes.

The vast majority of our targets are calculated using HouseMark. Three of our targets are internal calculations only and are not comparable with others. We still think these targets give us useful information about how we are performing, compared to our plans and compared to previous years.

Our performance

The results of our VFM indicators for 2015/16 and our targets for 2016/17 are shown below:

	2014/15 **results**	2015/16 **targets**	2015/16 **results**	Did we beat our target?	Are we improving?	How we compare	2016/17 **targets**
Return on assets							
Overall satisfaction with services	88.6%	90.0%	83.8%	👎	👎	🏠	85.0%
New homes built (as percentage of current stock)	5.0%	2.6%	1.2%	👎	👎	🏠🏠	1.3%
Financial return from new development (IRR)	8.2%	7.0%	7.8%	👍	👎	NA	7.0%
Average energy efficiency rating of our homes (SAP)	69.2	70.0	71.3	👍	👍	🏠🏠🏠🏠	71.5%
Cash operating margin	54%	50.7%	56.1%	👍	👍	NA	52.1%
Cost of specific services							
Housing management (cost per home)	£203	£225	£211	👍	👎	🏠🏠🏠	£208
Major works and cyclical maintenance (cost per home)	£808	£1,126	£1,447	👎	👎	🏠🏠🏠	£1,034
Responsive repairs and void works (cost per home)	£495	£522	£455	👍	👍	🏠🏠🏠🏠	£523
Estate services (cost per home)	£75	£94	£95	👎	👎	🏠🏠🏠	£98
Overhead costs as a percentage of turnover	9.6%	9.8%	9.3%	👍	👍	🏠🏠🏠🏠	10.1%
Service outcomes / Social return							
Percentage of rent collected	99.5%	99.7%	98.8%	👎	👎	🏠	99.7%
Average time to re-let empty social homes (days)	12.7	14.5	14.6	👎	👎	🏠🏠🏠🏠	14.5
Satisfaction with repairs and maintenance	81.6%	83.6%	73.1%	👎	👎	🏠	83.6%
Satisfaction with new homes	87.8%	95.0%	96.2%	👍	👍	🏠🏠	97.0%
Number of Independent Living Assessments	NA	400	1,383	👍	NA	NA	400

🏠🏠🏠🏠 Very good - Top 25%

🏠🏠🏠 Better than average

🏠🏠 Worse than average

🏠 Poor – bottom 25%

Return on assets

We are disappointed by the fall in overall satisfaction with our services. Anecdotally, we understand that the satisfaction levels have been influenced by the repairs performance over the last year, which has also shown a significant drop in satisfaction since last year. Overall satisfaction is affected by a wide range of issues, some of which are not under our direct control, and it can take some time to turn around negative opinion. However, our repairs performance is now improving, and our new neighbourhood service will mean that customers will see Rooftop out in their areas more, giving them more opportunity for interaction, and for us to respond quickly to emerging issues in the community. The action plan to improve the satisfaction figure is:

- Reconnect residents with their Neighbourhood Officer – by having generic staff with smaller patch sizes from 1 July 2016.
- Undertaking a property and resident MOT where residents have requested nine or more repairs using 2015/16 data.
- Specifically for repairs, Fortis will contact residents on route to the appointment as a reminder.
- Working on a plan to improve right first time and reduce the number of follow-ons.
- Introducing a personal and proactive approach for one year to regain the confidence of residents. This will involve telephoning residents with complaints or service request instead of writing.
- Introducing PDA's for maintenance staff

Rooftop is proud to punch above its weight in terms of how much we develop, relative to our size. Our target for the year was based on building an average of 150 homes a year. Having completed a record 292 homes in 2014/15, 2015/16 was the start of a new development cycle and has focussed on identifying new sites and securing planning permission so there were fewer completed properties this year. We expect to complete 455 homes over the three years to March 2018 which represents an average of 2.4% growth per year. We have adjusted our yearly targets to better reflect the cycle of our development programme.

Our financial return on new development continues to outperform the targets set in our financial appraisals.

This year we achieved our longstanding goal to improve the average energy efficiency of our homes to 70 under the SAP assessment rating. To date we have achieved an average SAP score of 71.3. This means more of our residents are in warmer homes which are cheaper to run. We have achieved this goal by:

- building new, more efficient homes
- selling older, less efficient properties
- investing in major improvements to existing homes, including this year's external cladding programme to 682 properties.

Achievement of our energy efficiency goal is an important milestone in Rooftop's business strategy. This year, we have created a new environmental policy which will guide our approach to environmental issues over the next 40 years. One of the key steps next year will be to create a new indicator to measure the impact of our new approach.

Our cash operating margin continues to improve. This is the percentage of income collected remaining after deducting our operating costs, which is then used to pay for major maintenance, interest and new development.

Cost of specific services

Once again, the results for the cost of our main services are outstanding. We remain better than average on all five measures and in the top 25% for repairs and overheads.

Compared to the average for our peers, our performance represents an efficiency saving of £1.9 million.

This year we have spent £7.7 million on major works of which £3.2 million was spent on external wall insulation. In addition we were successful in getting £1.6 million funding from British Gas to undertake external cladding to 682 properties. This deliberate investment in the quality of our homes has directly contributed to us achieving our energy efficiency target meaning more of our residents will enjoy warmer homes.

A major recent contribution to our very low costs for major works, responsive repairs and estate services is our innovative Cost Sharing Vehicle with Fortis Living. Transferring services to the Cost Sharing Vehicle has been a major exercise aimed at saving £700,000 a year. We recognise that satisfaction with repairs has temporarily fallen, but expect this to rise again once the actions we have identified are implemented.

Our targets for next year are the result of our detailed budgeting and business planning processes. We aim to broadly maintain our current strong performance. This year we are carrying out a major review of our main housing management IT system. This will increase our overhead costs in the short term, but in the longer term we expect this to result in significant improvements to the quality and cost of the services we provide.

Service outcomes / social return

Our new Options team have massively outperformed their target. We initially planned to carry out 400 independent living assessments last year. In fact, the team carried out 1,383 assessments which is more than we originally intended to do over three years. These assessments are enabling us to target services more effectively, inform other strategies about future needs and to plan for new services. This year we will review this service and how it is structured. Until we have completed this review, our target remains the same as last year.

The Options team is part of the innovative new service we created last year, to support our residents following the end of Worcestershire County Council's Supporting People funding. We intended the service to be funded through service charges, but we are still negotiating with housing benefit authorities about whether these charges are eligible for housing benefit and have not collected the majority of that income. This uncollected income has affected our percentage of rent collected figures, placing us in a very low position compared to our peers. If we excluded this specific issue, our performance would be better than average.

New homes are important to us, and we are pleased with the significant increase in satisfaction we have seen this year. We are aiming for further increases next year.

Our repairs satisfaction has been very disappointing and we believe this is the main reason for the drop in overall satisfaction with our services. During the year we carried out an independent review of our repairs service which made some recommendations for improvement. The management action list has been reviewed by our Audit Committee and the actions taken will be independently audited. In addition, our Head of Asset Management will now work jointly for Rooftop and Fortis Property Care to identify and resolve the root cause. This in addition to the introduction of MOTs, being proactive with customer service requests and REP review of the Cost Sharing Vehicle will improve the service our residents receive.

We expected our average time to re-let empty homes to increase this year, as we were managing the lettings of our new homes and also re-letting homes where residents transfer to our new homes for older people at Yates Court, Evesham. This is part of our strategy to make better use of our assets, by enabling older residents to move to more suitable accommodation which will in turn release family accommodation for families on the housing waiting list.

Resident-led scrutiny

Value for Money is ultimately about improving outcomes for our residents.

In 2012/13 we set up the Resident Excellence Panel (REP), a resident-led scrutiny group with a focus on improving standards and ensuring we provide Value for Money.

During 2015/16 the REP performed a review on how well Rooftop is responding to welfare reform, as Universal Credit is being introduced into our core areas of Worcestershire and Gloucestershire. The review concluded that Rooftop had prepared well and were supporting tenants effectively, and made some recommendations to help improve the service further.

The REP also began reviewing our Cost Sharing Vehicle for repairs and maintenance, which has now been in place for two years. Next year we also plan reviews of voids and service charges.

We have continued to arrange Value for Money workshops for the REP and Customer Panel, which have helped our residents select scrutiny areas and review and monitor our performance. This self assessment has been reviewed by our Customer Panel. Customer Panel members have also helped to develop the way we report Value for Money in our Residents' Annual Report.

Optimising future returns on assets

In 2013/14, we commissioned Savills to review the performance of our property assets. Savills told us that:

"The overall performance of Rooftop's properties is good. Financial returns are roughly double those of other providers in the region" – Savills

Savills broke our properties down into the following groups:

Financial return (Net Present Value (NPV) of cashflows per unit over 35 years)	Description	Rooftop average NPV per unit in this group	Percentage of stock
Greater than £30,000	Good	£59,702	98.1%
Between £1 and £30,000	Marginal	£19,323	1.9%
Below £0	Negative	N/A	0%

The marginal 1.9% group of properties includes our keyworker scheme at Worcestershire Royal Hospital. Over the last two years we have carried out a full review of our non-core housing properties to consider whether any action is needed to maximise return on our assets. The review has concluded that our non-core assets are performing well and changes in the health sector have helped to improve performance at our keyworker schemes.

This year we will update the asset performance model to reflect changes over the last three years. This will help to show us whether any further action is needed.

The government's voluntary right to buy scheme also creates a major opportunity for us to review our assets and potentially target sales of certain types or locations of homes. We believe that this could help us to raise £33 million through property sales by March 2020, which could then be reinvested in new homes and improvements to existing homes.

This year we have also created a formal register of assets and liabilities, which has been independently tested by our internal auditors. This will help us to maximise performance of all our assets in the future.

Plans for 2016/17

This year, the government set us a major challenge by forcing us to cut our rents by 1% a year for four years, starting from April 2016.

In response, our managers and Board carried out a major review which removed £3.1 million of cost a year from our Business Plan. Our 2016/17 budget will deliver the majority of these savings, with others phased in up to 2019/20. This is crucial to ensuring our ability to deliver our long term goals.

We have also started several projects to investigate new ways of saving money, by doing things differently or working with partners. This includes projects to investigate:

- viability of an off-site manufacturing factory for new homes
- partnership working in support and care
- partnership working around the voluntary right to buy scheme
- the move from specialist teams to generic housing officers.

By order of the Board

Nicola Inchbald
Chair
20 July 2016