

Value for Money and Performance Report 2019-20

Summary

Rooftop has set out a range of nine ambitious targets within its five year 2018 to 2023 Corporate Plan. These targets aim to ensure we deliver Value for Money in maximising the impact of our resources in delivering our charitable objectives.

In 2019-20 we continued to make good progress in delivering our Corporate Plan objectives across the three streams of Great Homes, Successful Lives and being a Better Business. In summary:

- We remained on track to deliver 1,000 new homes by 2023
- We remained on track to deliver 90% customer satisfaction by 2023
- We remained on track to become a 3* Best Companies organisation by 2023.

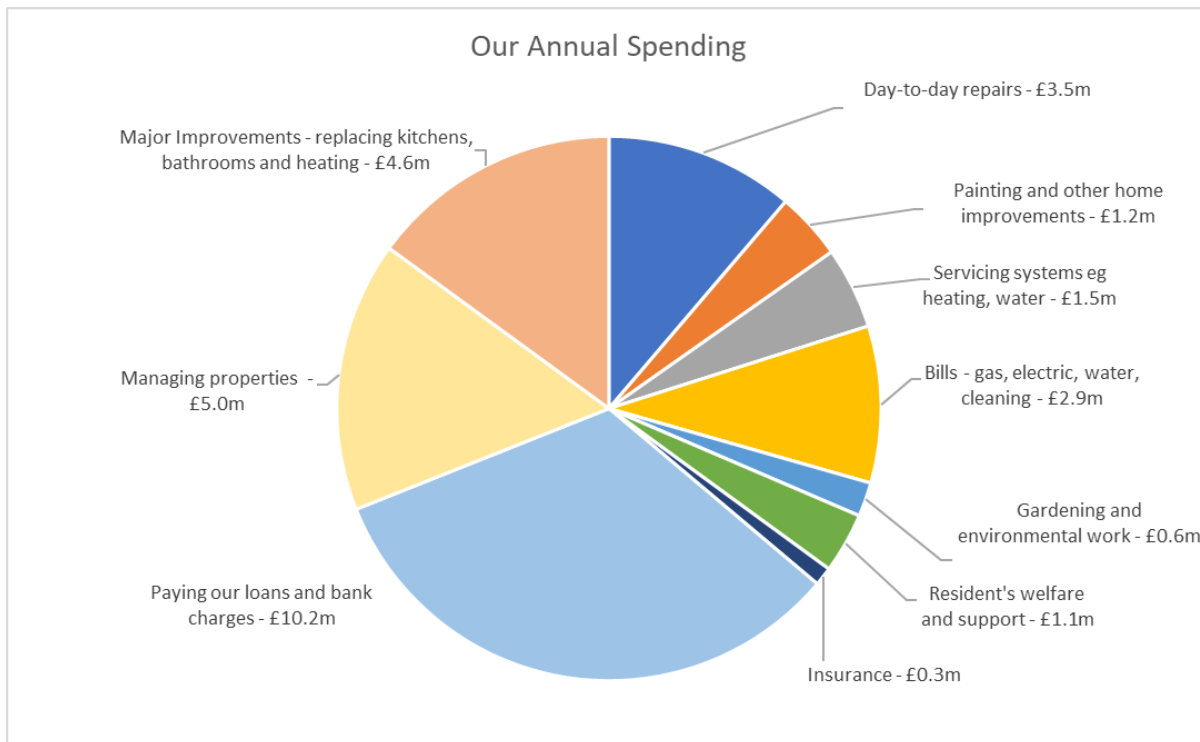
We also continued to deliver against our wider 2023 targets around sustainability, supporting people and communities and business improvement during the year.

Ensuring customers and stakeholders are aware of our impact, costs and delivery of our plans is important to us. A copy of our simple published 'VFM and performance' summary is included in this report. It shows a breakdown of how income was expended during the year to provide transparency.

How We Spend Our Money - 2020/21 Budget

The graph below shows a breakdown of our expenditure – the three areas covered in the bullet points represent 64% of total expenditure:

- The largest area of expenditure is around servicing our loans. This will increase as we continue to draw down more funding to build new homes.
- The next largest area is managing our homes which includes tenancy management of our homes.
- Major Improvements are the third largest area including kitchens, bathrooms, boilers. This keeps our homes up to Decent Homes Standard.



Meeting the Value for Money Standard

Rooftop welcome the simplified approach in the April 2018 Value for Money (VFM) Standard. The Board believes Rooftop has complied with the VFM Standard during 2019/20 and continues to challenge the Executive Team to drive forward this agenda for the future.

The Corporate Plan for 2018 to 2023 is monitored and reported against the targets to Board on a quarterly basis. The Board also monitors an annual Value for Money Action Plan setting out the specific improvements and projects Rooftop aims to deliver each year.

The following strategic projects were at the heart of our Value for Money Strategy for 2019-20: and these are targets we included in our statement last year:

- Successfully implement the new Housing Management System to enable us to transform our operating model and customer service

The system was successfully implemented on 4 May 2020 one month behind the scheduled switch over at the end of the financial year. Included in the Value for Money Action Plan 2020/21 is a task to review resources and identify long-term savings with the Board following implementation of this new technology platform.

- Simplify our assets and loan structure to enable us to manage our property portfolio more effectively through Rooftop Housing Association

On 31 March 2020, all Assets and Liabilities were transferred from Rooftop Homes Limited to Rooftop Housing Association. This project has reduced risk to the business by having all loans in one company and will allow more flexibility to review stock out of our core area. It will also result in Corporation Tax savings and administrative savings in future years.

- Effectively deliver the Homes England New Ways of Working contract through the Matrix Housing Partnership

During 2019/20 we completed four homes at the end of March 2020 towards delivery of the NWOW contract and other sites are due to start on site during 2020/21 against a target of 239 homes to be delivered over the life of the wave one funding. This is worth £8.2 million in grant to Rooftop Housing Association and has allowed us to increase the number of homes developed for those in need.

Rooftop reported on the Sector Scorecard metrics for the first time in the 2017/18 Annual Report and Financial Statements. The Sector Scorecard includes the nine metrics specified by the Regulator. The group-wide results for 2019/20 are set out below, with comparatives from 2018/19 and targets for 2019/20 and 2020/21. The targets are embedded in Rooftop’s budget and performance processes.

Performance and future target

Regulatory metrics	2018/19 Result	2019/20 Target	2019/20 Result	2020/21 Target**	2020/21 projected target post COVID19***
Metric 1 - Reinvestment Percentage	9.5%	10.6%	5.2%	11.1%	5.4%
Metric 2a - New supply delivered (social housing units)	3.3%	2.8%*	2.7%	2.3%	1.3%

Metric 2b - New supply delivered (non-social housing units)	0.1%	0.0%	0.0%	0.1%	0.1%
Metric 3 - Gearing	61.0%	61.0%	58.0%	61.0%	59.0%
Metric 4 - EBITDA MRI as a percentage of interest	182.0%	159.0%	153.0%	154.0%	150.0%
Metric 5 - Headline social housing cost per unit	£2,988	£3,226	£3,284	£3,391	£3,317
Metric 6a - Operating Margin (overall)	39.4%	32.0%	32.0%	31.9%	32.4%
Metric 6b - Social Housing operating margin	43.8%	40.1%	40.1%	40.3%	39.2%
Metric 7 - Return on capital employed (ROCE)	4.9%	4.1%	4.3%	3.6%	4.1%
Other Sector Scorecard metrics					
Customer satisfaction	90.0%	88.0%	89.2%	90.0%	90.0%
£s invested for every £ generated from operations in communities	£0.05	£0.04	£0.04	£0.04	£0.07
Occupancy	99.8%	99.2%	99.7%	99.2%	99.2%
Ratio of responsive repairs to planned maintenance spend	0.54	0.56	0.66	0.60	0.59
Rent collected	99.6%	98.6%	97.9%	99.1%	98.0%
Overheads as a % of adjusted turnover	11.7%	11.5%	12.8%	12.2%	11.1%
Void loss as a % of rent debit (all tenures)	2.1%	1.6%	2.5%	2.3%	2.4%

*restated from 2018/19 accounts

**The Targets for 2020/21 were set pre COVID-19 and are subject to further review.

*** These targets have been calculated following a review of the impacts of COVID-19

The VFM metrics show that there is an adverse impact in the **Reinvestment percentage**. This is due to a delay in obtaining planning permission for a number of development sites that were due to start during the financial year. One significant scheme **Swan Lane** secured planning in May 2020. We have also made significant progress with Homes England in identifying a potential site for our **Garden Village Project**.

Our costs relating to **Headline social housing** cost per unit are slightly higher than we forecast for the year. We achieved savings in the year against budget of around £600,000 on component spend, of which £296,000 related to new boilers and heating systems. Insurance savings were achieved following a tender exercise and legal fees were also lower, however this was offset by unbudgeted spend on abortive costs for development schemes, utilities, estate management and environmental maintenance. The majority of repairs and maintenance works are provided by Platform Property Care as part of the cost sharing vehicle which delivered savings of £740,000 this year and customer satisfaction with repairs of 90.6% against an ambitious target of 91%.

Our **overhead costs** are higher than the target in 2019/20 due to increased depreciation charges relating to our new **Housing Management System** that was implemented on 4 May 2020. Removing depreciation due to this strategic investment sees underlying overhead costs at 10.8%. This cost will be charged to our **Statement of Comprehensive Income** over a five-year period, and after this time we are expecting a reduction in overheads. In addition to this we have included an action to review savings to be delivered by the new system as part of our Value for Money Action Plan for 2020-21.

For **Customer Satisfaction** we set an ambitious target of 90% and came within 1% of that in support of our long-term Corporate Plan objective that at least nine out of 10 customers are satisfied with the services we provide. Our analysis indicates that customer communication around repairs is the main cause of dissatisfaction and this will be a key focus for the year ahead.

Our **Operating Margin (overall)** is lower than target due to a number of Development Schemes delayed due to planning challenges, including the **Garden Village**. We have taken a prudent approach and written these off to revenue, which has impacted our **Operating Margin**. It should be noted this does not affect the **Social Housing Operating Margin** which remains on track to achieve our Corporate Plan target of 40%.

Last year's performance targets

Our void turnaround of c20 days (all tenures) is higher than our target for the year. This is due to a number of supported schemes being more difficult to let and relying on council referrals. To address this issue, we have carried out detailed analysis and implemented an Action Plan which will accelerate how quickly we re-let void properties and ensure that we are making the best use of our Assets.

We work closely with Partners, Platform Property Care, who provide a repairs service on our behalf, and are monitoring their performance in this area. An independent review of this was carried out by external consultants during 2019/20 and presented to our March 2020 Board. This compared our costs in repairs to 80 organisations across the sector and showed that our costs were generally lower in all areas than the median, except compliance.

Rent Arrears increased during the year due to tenants moving on to Universal Credit for the first time. We are finding these tenants have a higher level of arrears as new claimants have to wait five weeks before receiving their first payment. We also have an Action Plan in this area, which is being monitored on a monthly basis.

Other Key Metrics – targets for 2019/20	Target	Result	Achieved?
	2019/20	2019/20	Y/N
Percentage of repairs completed first time	92%	83.2%	N
Average no of calendar days to complete non-emergency repairs	15 days	17.6 days	N
Average days to re-let	12 days	19.8 days	N
Rent arrears as a percentage of rent debit	3%	4%	N
Percentage staff sickness absence	4.5%	4.3%	Y
Benefits realised for tenants by money advice team	£2.0m	£2.8m	Y
Deliver 177 new homes	177	184	Y

Secure land for new development, including market sales	170 units	178 units	Y
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Peer Comparison 2018/19

As part of the Value for Money Standard we must include data around peer comparison, we have had a piece of work carried out by Vantage. This was presented to our Board in November 2019. They have identified the peer group based on geographical location, stock size and similarity.

RSH Metrics	Rooftop	Gloucester City Homes	North Devon Homes	Selwood Housing	Thrive Homes Ltd	Trent & Dove Housing	Two Rivers Housing	Westward Housing Group	Sector Average
Reinvestment %	9.5%	31.5%	5.4%	7.0%	14.7%	12.3%	13.6%	3.77%	6.8%
Ranking	5	1	7	6	2	4	3	8	-
New Supply delivered % (social housing Units)	3.3%	1.8%	2.4%	3.0%	1.8%	3.1%	1.4%	3.3%	1.9%
Ranking	1=	6=	5	4	6=	3	8	1=	-
New Supply delivered % (non social housing Units)	0.1%	0.0%	0.4%	0.0%	0.4%	0.0%	0.0%	0.0%	0.1%
Ranking	3	4=	1=	4=	1=	4=	4=	4=	-
Gearing %	61%	45%	60%	30%	67%	59%	56%	32%	33%
Ranking	7	3	6	1	8	5	4	2	-
EBITDA (without sales)	182%	94%	143%	475%	143%	242%	213%	208%	346%
Ranking	5	8	6=	1	6=	2	3	4	-
Headline Social Housing Cost per Unit	£2,988	£4,540	£2,945	£3,450	£4,178	£2,754	£3,336	£3,176	£4,462
Ranking	3	7	2	6	8	1	5	4	-

Operating Margin (social housing)	43.8%	25.2%	25.1%	31.0%	32.4%	36.0%	26.1%	30.1%	26.4%
Ranking	1	7	8	4	3	2	6	5	
Operating Margin (overall)	39.4%	25.3%	22.9%	31.0%	30.4%	33.8%	27.5%	30.5%	24.4%
Ranking	1	7	8	3	5	2	6	4	
ROCE	4.9%	4.8%	2.7%	3.2%	3.7%	6.9%	4.5%	3.8%	4.0%
Ranking	2	3	8	7	6	1	4	5	-

All data has been gathered using the Global Accounts Plus data.

Reinvestment

Rooftop has a lower % of reinvestment than other peers, this is also reflected in the lower cost in **Headline Social Housing Cost per Unit** where Rooftop has performed well. This is thought to be due to the profile of our current stock compared to peers. Rooftop is also part of a Cost Sharing Vehicle, which generates savings in overhead costs and VAT.

New supply delivered – Social housing

Rooftop performed well in this area and shows its commitment to building 1,000 new homes by March 2023. This has been made possible by its success in being awarded New Ways of Working Grant funding.

New supply delivered – non Social Housing

The results are comparable to other peers in this area. The Board however has a limited appetite to deliver non-social housing.

Gearing/EBIDTA

This is an area that Rooftop does not perform well in. The Board monitors this performance closely but accepts the results are weaker compared to peers. This is due to a large number of legacy debts created at the time of transfer from the local council, and also increased borrowing in recent years to enable Rooftop to achieve its ambitions in the supply of new homes.

Operating Margin (Social and Overall)

This metric is an area we have performed consistently well in and it reflects the commitment to keep our costs low while maximising our income. This is also an area which the Board are focussing on as part of our **Corporate Plan**. This positive result of this can also be seen in the Headline **Social Housing Cost per Unit**.

Return on Capital Employed

This is another area we currently rank well in, and we are pleased to be able to maximise the use of our assets.

What we have achieved in 2019/20

Great Homes

In August 2018, the Board approved a Financial Business Plan which included their vision to build 1,000 homes by 2023. This includes Grant Funding as part of the New Ways of Working that Rooftop was successful in receiving as part of the Matrix Group. The additional grant rate and the profile of receiving the grant has helped Rooftop to be

able to meet its vision to provide more homes for local people. The grant due to Rooftop as part of the programme is £8.2 million. This can be claimed in advance of start on site of the schemes, which delays borrowing requirements and therefore reduces interest costs. We have received £4.5 million to date.

Within the 1,000 homes are a mixture of social rent, affordable rent, shared ownership and a small number of outright sales. The outright sales will help to fund more social homes and to meet the objectives of the group.

Of the 1,000 homes the group successfully completed 184 homes in 2019/20, against a target of 177. There are a further 165 new homes onsite and a further 117 homes due to go on site during 2020/21. We have now completed 367 homes towards our target of 1,000 homes. We have sold 50 new shared ownership homes during the year, giving a surplus of around £400,000. There is one scheme in Broadway which is an extra care scheme where we have struggled to sell the homes as planned. We are looking at options for these unsold units to either make them more attractive to purchasers or convert to rented homes. We now have an inhouse sales team which has been effective in selling our new homes this is estimated to have saved Rooftop £30,000 over the last year.

We have successfully completed 43 Voluntary Right to Buy sales during the year, which has allowed tenants to own their own homes. Our development team are now looking at replacing these homes and have £7.5 million of funds available in order to complete this over the next three years.

Health and safety for our customers is our priority, and during the year we have made improvements to our reporting both to our Executive Team and our Board and appointed a dedicated Health and Safety Compliance Manager. We have a Health and Safety Committee which meets every quarter. All our homes meet Decent Homes Standard that are required to.

During the year we invested £2.23 million in our existing homes to keep them up to standard. The three areas of highest spend were boilers, kitchens and electrical upgrades. In addition to this we spent a further £550,000 on revenue spend on electrical testing and improvement works. We also completed our five-year cyclical Stock Condition Survey which will be used in our financial planning to ensure we maintain our homes to decent homes standard. This has been independently prepared and verified.

Sustainability

Electric Vehicles

In 2018/19 we leased an electric car for staff to use for business trips. All staff are encouraged to use the vehicle when available instead of their vehicles, thus promoting a healthier environment. During 2019/20 we extended this further and leased an electric van for our handymen to use. At one of our latest developments of 95 flats in Gloucester we have set up a car club, which is available for the residents to join free of charge and access an electric car for use. The site has limited parking available and this allow residents the freedom to hire a car only when required.

ISO14001 Accreditation

We were successfully awarded ISO14001 during 2019/20 without any major or minor non-conformities, showing our commitment to Environmental Management and Efficiencies for us and people we do business with.

Our Homes

During 2019/20 in Partnership with Act on Energy, RHA secured £700k grant funding to support the use of new technologies such as Ground Source Heat Pumps, to homes where gas is not available.

All Houses built through our development programme have achieved SAP level A offering residents high levels of thermal comfort and reduced energy bills estimated to be around £150 per annum compared to a home built to standard building regulations.

Successful Lives

Community Investment Strategy

A number of cross-team community events have taken place across our areas of operation and has included external partner agencies where appropriate. Through the work of our non-core services we have been able to engage with our customers and communities more effectively and this has impacted positively on our overall customer satisfaction target. Value for money has been achieved by key staff working together in their communities to create efficiency and streamline working practices. This has been achieved by teams working together to improve Anti Social Behaviour and health and wellbeing of our more vulnerable customers as well as removing duplication from processes, We have built on and strengthened partnerships both internally and externally, such as with Citizens Advice Bureau (CAB) in the effective management of Universal Credit (UC) cases and more strategically with local authorities and county council health and social care teams to improve services for customers and attract resources.

Customer Voice

For both customers and the organisation, we strongly believe that we should only expend resources and take up customer time where it is going to lead to a quantifiable difference to the decisions we make over allocating resources, the services we provide or the types of products we offer.

The views and voices of our customers are vital in ensuring we are delivering homes and services that meet the needs of our communities. We have introduced smaller patch sizes for Neighbourhood Officers to enable more community-based engagement to deliver thriving communities where people are provided with a good home, a sense of purpose and a sense of belonging and inclusion. This has helped to improve engagement from a wider representation of customers which in turn has increased customer satisfaction.

During 2019/20 we set up a training academy for our tenants, this included a small number of tenants who attended each week to learn about the different areas of a housing association.

As an early adopter of Together with Tenants we hope to utilise areas of best practice and innovation to improve and build on our customer offer thereby increasing satisfaction levels. Further, as a renewed member of the Tenant Participation Advisory Service (TPAS) we will achieve both free consultation hours and discounted training opportunities for residents.

We have established improved partnership working with customer groups to deal with issues affecting customer satisfaction. This has improved customer satisfaction and reduced the amount of staff resources required to deal with individual queries regarding common issues that were raised by multiple customers.

From a governance perspective, we have robust resident scrutiny via our Resident Excellence Panel (REP) which is a mechanism to enable the Customer Voice to be heard at the highest level to inform decision making. The REP has consistently generated excellent reports and made improvements to services and we have increased the number from four to six members to ensure the capacity is there to review four service areas per year.

Better Business

In March 2020 we simplified our group structure by transferring all assets and liabilities from RHL to RHA and declared RHL as a dormant company. The group structure is now RHG as the parent company with RHA as its single active subsidiary. All our homes and loans are now in one company and that will allow us to dispose of stock not within our core area.

We raised an additional £25 million new funding in 2019/20 with one of our existing lenders, for a five-year period. At the same time, we fixed a £10 million loan to reduce our exposure to variable interest rates.

The Regulator of Social Housing carried out an In Depth Assessment in January 2020 and confirmed Rooftop's rating of GI/VI in March. This continues to put us in a strong position with our funders allowing the group to continue to develop new homes.

Performance of our non-social assets

The properties below are all classified as non-social housing, the table below details their performance for the last three years:

Scheme	Scheme valuation	Net rental income	2019/20 Net rental yield	2018/19 Net rental yield	2017/18 Net rental yield	2016/17 Net rental yield
Biddulph	£1,316,250	£88,022	6.69%	6.11%	4.53%	5.65%
Bridge Street	£1,277,125	£16,094	1.26%	2.45%	1.19%	3.83%
Warwick House	£365,000	£12,097	3.31%	4.17%	2.41%	5.81%
Nuneaton	£847,000	£20,467	2.42%	3.31%	4.52%	5.68%
The Hawthorns	£3,530,000	£262,326	7.43%	6.90%	6.70%	6.89%

We have shown a positive return on each of the schemes over the last four years. We have reviewed the properties, and some are outside the geographical area in which we work.

The return from Bridge Street is currently low. This is a listed building in Worcester which is split into flats that are used for Market Rent. The property has needed an increasing number of repairs which are more expensive due to it being a listed building.

Following the transfer of Assets and Liabilities from RHL to RHA we will now be looking to dispose of the properties at Nuneaton and Biddulph during quarter three of 2020/21, which are market rented homes outside of our core area. These were included in our disposal plan which was presented to our March board meeting.

In March 2020 we disposed of a number of units used for rehabilitation for people with alcohol dependency, the properties were managed by a charity (Gordon Moody) who provided all the support and a 12-week course to the residents. At the end of March, we sold these homes to the charity, the properties are located outside our core operating area.