Value for Money self-assessment

Rooftop believes in profit for a purpose – generating surpluses in order to invest them 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

We use a wide-ranging basket of Value for Money indicators 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 is more than just 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 have reflected on this and decided to phase out these three targets in future years to improve the transparency of our self assessment.

We have also added operating margin as a new indicator, which is a standard business indicator and easily compared to others.

Our performance

The results of our VFM indicators for 2016/17 and our targets for 2017/18 are shown below:

	2014/15 **results**	2015/16 **results**	2016/17 **results**	2016/17 **targets**	Did we beat our target?	Are we improving?	How we compare	2017/18 **targets**
Return on assets								
Overall satisfaction with services	88.6%	83.8%	92.1%	85.0%				90.0%
New homes built (as percentage of current stock)	5.0%	1.2%	0.7%	1.3%				1.6%
Financial return from new development (IRR)	8.2%	7.8%	8.4%	7.0%			N/A	N/A
Average energy efficiency rating of our homes (SAP)	69.2	71.3	71.5	71.5				71.7
Cash operating margin	54.2%	56.1%	56.2%	52.1%			N/A	N/A
Operating margin	44.2%	42.7%	44.7%	N/A	N/A			40.2%
Cost of specific services								
Housing management (cost per home)	£203	£210	£187	£208				£205
Major works and cyclical maintenance (cost per home)	£808	£1,453	£796	£1,034				£977
Responsive repairs and void works (cost per home)	£495	£455	£533	£523				£542
Estate services (cost per home)	£75	£90	£102	£98				£113
Overhead costs as a percentage of turnover	9.6%	9.7%	10.3%	10.1%				11.6%
Service outcomes / Social return								
Percentage of rent collected	99.5%	98.7%	99.6%	99.7%				99.8%
Average time to re-let empty social homes (days)	12.7	14.6	14.3	14.5				14.0
Satisfaction with repairs and maintenance	81.6%	73.1%	86.1%	83.6%				87.0%
Satisfaction with new homes	87.8%	95.2%	95.0%	97.0%				97.0%
Number of Independent Living Assessments	NA	1,383	1,324	400			N/A	N/A

Very good - Top 25%

Better than average

Worse than average

Poor – bottom 25%

Return on assets

We are pleased with the strong performance in overall satisfaction with our services. The significant increase during the year is expected to place us in the upper quartile, and shows the impact of the action plan we set out in last year's VFM self assessment. The improvement plan included some systems and technological improvements, but was also based on reconnecting residents with their neighbourhood officers by creating new generic posts with smaller patch sizes from July 2016.

Rooftop is pleased about how much we develop, relative to our size. Our number of completions for the year was relatively low at 43, and was below our target. This is because of the cyclical nature of our development programme and because some of our completion dates have been pushed back. Next year we expect to complete 112 new homes which we expect to be above average performance, and then complete over 300 homes in 2018/19.

To make our new homes programme less cyclical, we have engaged in a strategic land banking programme supported by specialist staff. We expect this to shorten the length of time from inception to start on site, and enable us to deliver a smoother annual volume of homes. To date we have secured sites which could deliver 250 homes.

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

Sustainability is an important goal for Rooftop, as we seek to reduce fuel bills for residents and cut carbon emissions. We intend to strengthen and better embed our approach during the next year. We continue to improve our homes, and our performance is better than the average for our peers. During 2017-18 we will seek to define a Living Homes Standard as a target minimum for all our stock, and will assess the financial investment needed to tackle our 400 least energy efficient homes (energy bands E, F and G). This will enable us to make more robust asset management decisions, which will include the option of disposing of stock where it is not economic to make the necessary improvements to meet our minimum standards.

Our cash operating margin continues to improve. However, we have come to the conclusion that this internal measure is of limited use. For future self assessments, we will instead report on the more traditional operating margin measure, which will be more transparent as it can be more easily compared to others. Past results for both measures are included in the table above.

Cost of specific services

Once again, the results for the cost of our main services are outstanding. In 2015-16, we were better than average on all five measures and in the top 25% for repairs and overheads. This year our results suggest that we will be upper quartile for three out of the five measures. Coupled with the rise in our overall satisfaction, this is a powerful statement of the good value for money Rooftop has provided to residents.

Service outcomes / social return

Within our housing team structure we have an Options team who are part of the innovative new service we created 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 after negotiation with housing benefit providers we have not collected the majority of that income. This uncollected income has affected our percentage of rent collected (99.6%), resulting in lower than average performance compared to our peers. If we excluded this specific issue, our performance would be better than average.

Once again, our Options team significantly outperformed their target. 1,324 assessments were carried out which is more than we originally intended to do over three years. These assessments will enable us to target services more effectively, informing the review of our strategy for supported housing which will take place next year.

New homes are important to us, and we broadly maintained the significant increase in satisfaction we achieved last year. With the low number of completions, this survey had a very low sample size and the 5% dissatisfaction relates to a single customer response.

As with our overall satisfaction, satisfaction with repairs has risen significantly over the year. We have achieved this by being proactive with customer service requests and carrying out a Resident Excellence Panel

(REP) review of the Cost Sharing Vehicle will improve the service our residents receive. Our Head of Asset Management has also worked jointly for Rooftop and Fortis Property Care to enable improvements to the overall service. From April 2017, we have introduced mobile working in the Cost Sharing Vehicle, which should positively impact on both satisfaction and cost efficiency.

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

We have repeated that exercise this year and are currently reviewing the results.

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.

We had previously hoped that the government's voluntary right to buy scheme would create a major opportunity for us to review our assets, raising £33 million through property sales by March 2020. Following the postponement of the scheme, we have removed these assumptions from our business plan. However, we will still consider targeted asset sales and by December will develop a strategic asset disposal programme aligned to our environmental and development strategies. For example, in May 17 our Board approved disposal of a 200-year old listed property in Pershore which was uneconomic to repair and had an unacceptably low SAP environmental rating.

Plans for 2017/18

We have now delivered the necessary savings in our financial business plan to respond to the Welfare Reform and Work Act 2016, which has forced us to cut our rents by 1% a year for four years, starting from April 2016.

The major focus for 2017-18 will be our new housing management system. During 2016-17 we conducted a detailed and rigorous tender process to determine a new system to replace the legacy Capita Academy system. This new IT solution from Aareon is intended to underpin and enable a major review of how we carry out our businesses, supporting residents to self serve, improving the quality of our data and streamlining our internal processes.

In the short term, this will increase our costs. In particular, we expect overhead costs to rise and operating margin to drop, and this is reflected in our targets for 2017-18. The costs are not just the new IT system itself, but also staff and consultancy costs to make sure the system is implemented successfully and that new processes are well designed.

Longer term we expect the transformation to have a significant positive impact on our value for money indicators. We expect that changes to the way we work will allow us to increase our number of homes through our development programme without any increase in staffing, which will improve all of our service cost indicators. This project is not just about cost though – by helping us to deliver a more flexible, modern, online service, we hope that the project will lead to sustained increases in residents' satisfaction with the services we provide. Finally, if we can make sustained savings in our average cost per unit, we can ultimately recycle that saving back into building more new homes.