

Value for Money and performance

Rooftop welcomes the simplified approach in the April 2018 Value for Money (VFM) Standard. The Board believes Rooftop has complied with the VFM Standard during 2017/18 and is taking appropriate action to ensure compliance with the new standard in future years.

Rooftop has adopted the Sector Scorecard as its suite of performance metrics. The Sector Scorecard includes the nine metrics specified by the Regulator. The group-wide results for 2017/18 are set out below, with comparatives from 2016/17 and targets for 2018/19. The targets are embedded in Rooftop's budget and performance processes.

Regulatory metrics	2016/17 result	2017/18 result	2018/19 target
Metric 1 - Reinvestment Percentage	5.5%	6.7%	11.4%
Metric 2a - New supply delivered (social housing units)	0.7%	1.2%	4.7%
Metric 2b - New supply delivered (non-social housing units)	0.0%	0.0%	0.1%
Metric 3 - Gearing	61%	61%	64%
Metric 4 - EBITDA MRI as a percentage of interest	187%	173%	156%
Metric 5 - Headline social housing cost per unit	£2,832	£2,959	£3,079
Metric 6a - Operating Margin (social housing lettings)	48.9%	46.7%	44.7%
Metric 6b – Operating margin (overall)	44.7%	41.1%	38.4%
Metric 7 - Return on capital employed (ROCE)	5.6%	5.0%	4.4%
Other Sector Scorecard metrics			
Customer satisfaction	92.1%	89.5%	90.0%
£s invested for every £ generated from operations in communities	£0.03	£0.03	£0.02
Occupancy	98.8%	97.5%	99.2%
Ratio of responsive repairs to planned maintenance spend	126%	114%	113%
Rent collected	99.6%	99.9%	99.1%
Overheads as a % of adjusted turnover	9.5%	11.5%	11.0%

Targets are based on Rooftop's current accounting policies. The review of FRS102 will require a change to how certain items are accounted in 2018/19, for example some property disposals will be included with operating activity. Where this affects any KPI results, we will restate the targets to ensure comparability. Rooftop intends to use these metrics to compare performance to peers and drive improving VFM over time. As these measures are new and definitions have changed since the trial Sector Scorecard year, comparative information is not available this time.

The VFM metrics show a clear improvement in the metrics relating to new supply and reinvestment, in line with Rooftop's strategic objectives, and with further improvement planned for 2018/19. New supply is financed primarily through borrowing, and as expected this has had a short term impact on borrowing-related metrics gearing and EBITDA MRI.

We are beginning to develop modest amounts of market sales, with the first eight sales taking place in 2018/19. This will result in increases in new supply of non-social housing, but the real purpose is to provide cross subsidy so that we can continue to maximise our new supply of social housing.

Rooftop's overhead percentage has risen due to deliberate investment in risk, compliance and governance functions along with IT and office infrastructure. As well as the introduction of our new Aareon QL housing management system, we have invested in more flexible workspaces, telephony and laptops to support more agile ways of working. These are intended to result in efficiency savings over the next few years. A priority for 2018/19 will be to successfully implement QL and then begin to deliver the efficiency savings outlined in the business case.

The following actions planned for 2018/19 will have particular impact on future VFM metrics:

- A full review of the group structure, with the intention of maximising our reinvestment and new supply results
- A target to generate £3 million through sales of non-core assets
- Successfully implement Aareon QL and begin to deliver the efficiency savings outlined in the business case, which will reduce our overhead percentage over time.