Value for Money and Performance Report 2020/21

Summary

We have set nine ambitious targets within our five year 2018 to 2023 Corporate Plan. These targets aim to ensure we deliver Value for Money maximising the impact of our resources in delivering our charitable objectives. The Plan has been updated in 2021 to cover the period 2021 to 2026.

In 2020/21 we continued to make good progress in delivering our Corporate Plan objectives across the three streams of Successful Lives, Great Homes, 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.

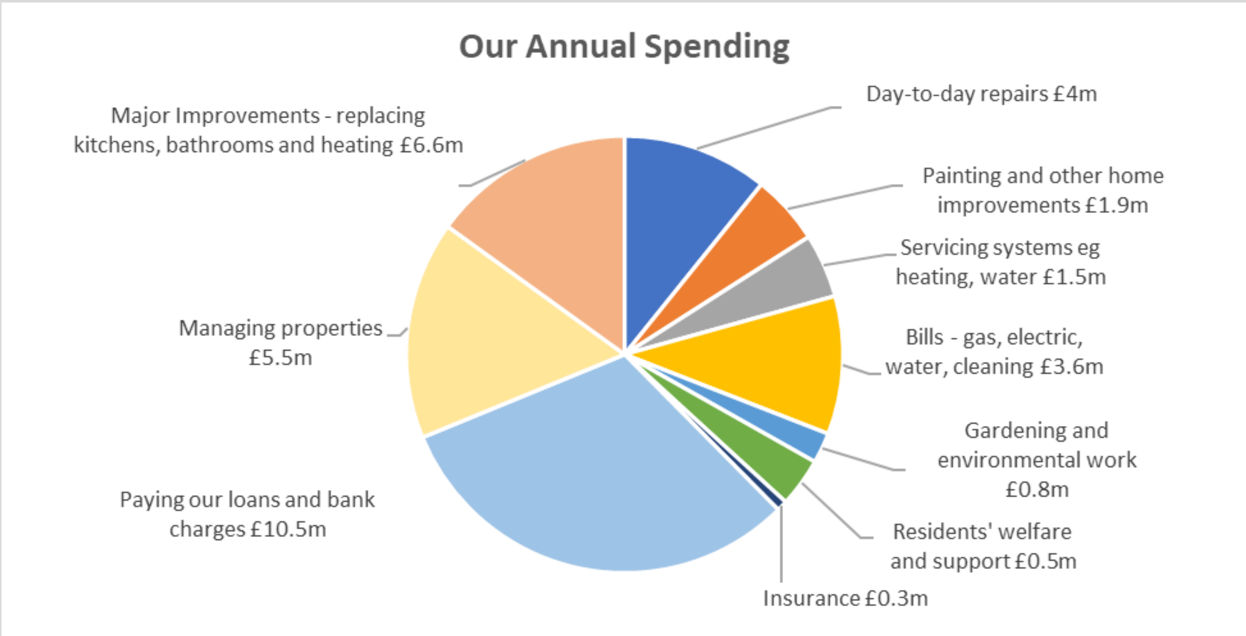
We continued to deliver against our wider 2023 targets around sustainability, supporting people and communities and business improvement during the year.

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 also appears on the Rooftop Housing Group website and in the Rooftop Customer Report. It shows a breakdown of how income was expended during the year to provide transparency.

How We Spend Our Money - 2021/22 Budget

The graph below shows a breakdown of our expenditure – the three areas covered in the bullet points represent 62% 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 for people in housing need.
- The next largest area is managing our homes, including tenancy management of our homes.
- Major Improvements are the third largest area including the replacement of kitchens, bathrooms and boilers. These improvements keep our homes up to and beyond the Decent Homes Standard.



Meeting the Value for Money Standard

We welcomed the simplified approach in the April 2018 Value for Money (VFM) Standard. The Board believes Rooftop has complied with the VFM Standard during 2020/21 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 2020/21, and these are the targets we included in our statement last year:

- **Following the implementation of the housing management system, investigate savings realised from efficiencies, particularly with the implementation of self-serve while ensuring there is sufficient resource to support the customers who do not have access to this via face to face or the telephone.**
  The core Housing Management System was successfully implemented on 4 May 2020. Our new self-service app and Customer Portal are due to launch in the summer of 2021; other areas we are focussing upon are effective gathering and use of customer data.

- **Review Group Structure to ensure we have most efficient and effective model to allow the group to dispose of properties that are not part of its core activity**
  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 outside of our core area. It will also result in Corporation Tax and administrative savings in future years. This has allowed us to consolidate our borrowing and dispose of market rent homes held outside our core operating area where we were unable to effectively manage them.
  In June 2020 Rooftop Homes Limited was deregistered as a Registered Provider with the Regulator of Social Housing and is now a dormant company in the Group.
- **Business improvement: To develop a plan for Process Mapping of key services (income and repairs) and compliance areas, and to include identifying cashable and non-cashable savings from service improvements.**

We have started to review our customer facing processes including Repairs and Income. The work will continue during 2021/22.

- **Budget Review/ Financial Business Plan Cost Review: Review of expenditure and identify proposed savings to ensure we meet our Sector Score Card targets.**

  Our Budget and Business Planning Processes are scrutinised by our Executive Team and Board. Areas of expenditure are challenged as part of the process and we have looked to reduce expenditure on consultancy in future years, however we have identified that some parts of the business need further resources to enable us to collect our income as well as keep our tenants safe, this was due to the impact of COVID-19 and an increased number of contacts from our customers regarding their payments and also an increased number of repairs were reported to us. Our budget set in March 2021 for the following financial year met 10 out of 15 of the sector score card targets. Our key focus for 2021/22 is to deliver exceptional customer service and to respond to the effects of COVID-19. Our business is well placed to do this, and to achieve this we plan to:

  Improve customer satisfaction by catching up on maintenance works. This was delayed in 2020/21due to the lockdown restrictions. The components budget for 2021/22 has been significantly increased to allow for works, which were not completed as planned in 2020/21.

  Maximise income and reduce bad debts. In 2020/21 the budget for bad debts was set at 3.2%, compared to a standard budget of 1.4% to allow for the potential effects of COVID-19. Actual performance for the year was 1.01%. This year's budget for bad debts has been set at 2.2%. We consider it will be unrealistic to set a lower budget due to Government forecasts for the economy and unemployment in 2020/21. However, for 2021/22 we are taking the following steps to improve our income collection:

  - We have restructured our Income Team to improve our performance.
  - We have introduced a new system, called RentSense to reduce the likelihood of rent arrears becoming bad debts.
  - We have taken steps to maximise cash collection by adopting prevention measures, and early intervention in arrears cases. This includes the development of a Tenancy Sustainment Team to engage with our customers and reduce high arrears.
  - We will increase pre-tenancy checks so that we only allocate homes to our tenants they can afford.
  - Bring inhouse our collection of Former Tenant Arrears to improve cash collection.
  - Improving the quality of our income collection data.

  However, this will remain a challenging area due to changes in Universal Credit and the ending of the Government's Furlough Scheme. Our Income Team continue to work with our tenants who are suffering financially due to the impact of COVID19.

  Achieve a voids budget of 2% for 2021/22. This is 13% lower than the budget for 2020/21. During the first quarter of 2020/21 it was not possible for us to accept any new residents at the older persons schemes. However, with the anticipated lifting of lockdown restrictions by the summer, lettings at these schemes will become much easier.

  Achieve a new property sales budget of £5 million. This is based on our normal sales activity. Despite the lockdown restrictions in 2020/21, we sold new properties to the value of £4 million.

- **In line with our Asset Management Strategy:**
  - Look to rationalise stock that is not in our core area over the next two years.
  - Review properties with a capital value more than five times present value to be considered for disposal.
  - Review properties with a current present value below £10k with potential for disposals.

  We have commissioned an external review which will be completed during 2021/22.
- **Review Support and Care costs and social value outcomes:**
  - Understand the true cost of Support and Care Service, including direct and indirect costs:

Scheme Name	Yates Court £000s	St Oswalds £000s	Dorothy Terry House £000s	Cherry Orchard House £000s	Parsons Gardens £000s	Dora Matthews House £000s	Older Person Schemes - General Need £000s	Young Peoples and Other Supported Housing £000s
Rent and Service Charge Income	945	1,386	447	642	408	544	1,520	1,287
Voids Costs	(109)	(19)	(165)	(82)	(39)	(72)	(35)	(223)
Net Income	**836**	**1,367**	**282**	**560**	**369**	**472**	**1,485**	**1,064**
Management Costs	6	2	18	11	11	5	2	72
Maintenance & Cyclical	127	237	60	45	21	28	166	131
Services and Support	327	475	225	303	244	166	206	414
Total Costs	**460**	**714**	**304**	**359**	**277**	**199**	**374**	**618**
Surplus / (Deficit) before Finance Costs	**376**	**653**	**(22)**	**201**	**92**	**273**	**1,111**	**446**

Note: The above table includes support income and costs directly attributable to the relevant schemes and excludes depreciation of the properties and any related financing costs.

- Understand the Social Value of the service provided.

We have commissioned an independent review of our Supported Housing Schemes, the findings of this are being reviewed. There are potential customer and financial implications that will need to be included in our long term plans.

We 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 2020/21 are set out below, with comparatives from 2019/20 and targets for 2020/21 and 2021/22. The targets are embedded in Rooftop's budget and performance processes.

Performance and future targets

Regulatory metrics	**2019/20 Result**	**2020/21 Target**	**2020/21 Result**	**2021/22 Target**
Metric 1 - Reinvestment Percentage	5.2%	11.1%	3.2%	10.5%
Metric 2a - New supply delivered (social housing units)	2.7%	2.3%	0.8%	3.7%
Metric 2b - New supply delivered (non-social housing units)	0.0%	0.1%	0.0%	0.0%

Metric 3 - Gearing	58.0%	61.0%	54.8%	62.0%
Metric 4 - EBITDA MRI as a percentage of interest	153.0%	154.0%	166.2%	137.0%
Metric 5 - Headline social housing cost per unit	£3,284	£3,391	£3,183	£3,898
Metric 6a - Operating Margin (overall)	32.0%	31.9%	32.2%	29.8%
Metric 6b - Social Housing operating margin	40.1%	40.3%	39.2%	36.2%
Metric 7 - Return on capital employed (ROCE)	4.3%	3.6%	3.8%	3.7%
Other Sector Scorecard metrics				
Customer satisfaction	89.2%	90.0%	85.0%	90.0%
£s invested for every £ generated from operations in communities	£0.04	£0.04	£0.04	£0.05
Occupancy	99.7%	99.2%	99.3%	99.2%
Ratio of responsive repairs to planned maintenance spend	0.66	0.60	0.85	0.50
Rent collected	97.9%	99.1%	99.9%	99.1%
Overheads as a % of adjusted turnover	12.8%	12.2%	11.2%	11.2%
Void loss as a % of rent debit (all tenures)	2.5%	2.3%	3.3%	2.0%

Because of the first COVID-19 Lockdown, where work on development sites and the replacement of components were not undertaken for the first quarter of 2020/21 the VFM metrics show that the **Reinvestment percentage** of 3.2% is much lower than the target of 11.1%**.** Overall, only 42% of component replacements were completed in this financial year due to the restrictions from two further national lockdowns. We are hoping to meet our target of 10.5% in this coming financial year following the anticipated lifting of all lockdown restrictions.

Our **New Supply Delivered of Social Housing** at 0.8% is lower than the target of 2.3%. Again, this is due to the reduced activity following the lockdown restrictions. We delivered 50 new homes during 2020/21 but have a higher target of 3.7% to be achieved for 2021/22.

Our **Social Housing Operating Margin** of 39.2% is lower than the target of 40.3%. This is largely as a result of delays caused by the pandemic; this includes a higher void income loss due to the difficulty of reletting properties particularly at the Older Persons Schemes, delays in the warden call project at our ExtraCare Scheme at St Oswald's and supporting the fixed labour costs of our Cost Sharing Vehicle with Platform Property Care.

For **Customer Satisfaction** our year end result was 85%, which was 5% below our ambitious target of 90%. Our analysis indicates that customer communication around repairs and the completion of repairs are the main causes of dissatisfaction. This dissatisfaction has been exacerbated by customer's expectations that normal service would resume swiftly after each lockdown; we are not operating in a vacuum, and the ability to have 'next day' delivery on a range of goods has altered consumer expectations of service providers. A drop of 5% is in a comparable range to the interim updates published by HouseMark for other Housing Associations, however hitting the 90% target will be a key focus for the year ahead.

Our **Rent Collected** for the year was 99.9% compared to a target of 99.1%. The improved result was due to the proactive measures adopted by our Income Team. These included introducing new systems where all of our Income Officers had the ability to take card payments over the phone, the implementation of recurring card payments and a Live Chat forum on our internet. The number of incoming and outgoing phone calls has increased significantly allowing many payment transactions to be completed by phone. In February 2021, the RentSense system was implemented, which will enable us to further improve our income collection rates in 2021/22.

Last year's performance targets

Due to a number of supported schemes being more difficult to let and relying on council referrals, our void turnaround of c20 days (all tenures) is higher than our target for the year. 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 meeting. This compared our costs in repairs to 80 organisations across the sector and showed that our costs were generally lower than the median in all areas, 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 2020/21	**Target 2020/21**	**Result 2020/21**	**Achieved? Y/N**
Percentage of repairs completed first time	85%	90.9%	Y
Average number of calendar days to complete non-emergency repairs	12 days	16.1 days	N
Average days to re-let	12 days	23 days	N
Rent arrears as a percentage of rent debit	3.5%	4.5%	N
Percentage staff sickness absence	4.5%	2.6%	Y
Benefits realised for tenants by money advice team	£2.2m	£3.2m	Y

Deliver 177 new homes	157	50	N
Secure land for new development, including market sales	170 units	196 units	Y

Peer Comparison 2019/20

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 January 2021. They have identified the peer group based on geographical location, stock size and similarity.

RP	Reinvestment %	New supply delivered (social) %	New supply delivered (non-social) %	Gearing %	EBITDA %	Headline Social Housing Cost Per unit	SHL Operating Margin %	Overall operating margin %	ROCE %
Rooftop Housing Group	5.2% (LQ)	2.7% (UQ)	0.0% (-)	58.0% (LQ)	153.0% (MQ)	£3,284 (UQ)	40.1% (UQ)	32.0% (UQ)	4.3% (UQ)
Thrive Homes Ltd	17.0%	2.3%	1.0%	75.8%	187.0%	£3,660	37.1%	35.6%	4.5%
Two Rivers Housing	15.7%	4.5%	0.0%	59.0%	192.0%	£3,484	23.1%	24.8%	3.8%
North Devon Homes Ltd	3.3%	1.8%	1.3%	58.4%	133.3%	£2,810	26.8%	21.2%	3.0%
Connexus	6.4%	1.4%	0.1%	72.4%	181.7%	£3,500	25.0%	26.2%	4.4%
Selwood Housing	6.8%	2.1%	0.0%	31.0%	320.0%	£4,100	23.0%	24.0%	2.6%
Westward Housing Group	4.7%	1.3%	0.0%	31.4%	218.1%	£3,009	32.8%	32.2%	3.4%
Gloucester City Homes	27.5%	1.3%	0.0%	56.3%	118.5%	£4,270	24.5%	21.3%	3.6%
Sector Average	**8.4%**	**1.8%**	**0.2%**	**46.4%**	**174.8%**	**£4,101**	**27.4%**	**23.7%**	**3.8%**

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

Reinvestment

We have a lower % of reinvestment than other peers and 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. We are also a member of a Cost Sharing Vehicle, which generates efficiency and VAT savings.

New supply delivered – Social housing

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

New supply delivered – non Social Housing

In 2020/21 seven properties were completed for outright sale; two remain unsold at the year end. The Board has decided not to develop any further homes in this category in the future.

Gearing/EBIDTA

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 is 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 results 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 2020/21

Successful Lives

Community Investment Strategy

A number of cross-team community events have taken place in our areas of operation that have 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 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 the 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.

We will continue to focus upon key themes outlined within the Social Housing White Paper 'The Charter for Social Housing Residents', the National Housing Federation's Together with Tenants Charter and our Customer Strategy and Housing Ombudsman's Complaint Handling Code.

During the second quarter of 2021/22 we will be developing our Customer Charter and specific service standards against which we will measure and report on customer service. In addition to this we will continue to strengthen our representation, engagement, and reporting to ensure that our customers voice is heard and acted upon. Our new Complaints policy will also go live.

We have recently launched our Community Investment Strategy which lays important foundations, recognising our role in strengthening community resilience, from which we will build trust, strengthen relationships, and develop stronger communities.

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.

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 we have the capacity to review four service areas per year.

Sustainability

Electric Vehicles

We are committed to finding innovative ways to improve our sustainability. 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 provides access to an electric car for use. The site has limited parking available and this allows residents the freedom to hire a car only when required.

ISO14001 Accreditation

We are committed to Environmental Management and Efficiencies for the group and the people we do business with. This is reflected in a successful ISO14001 audit in January 2021 which confirmed that there were no major or minor-non conformities and that we retain our accreditation. We continue to make further environmental improvements across the organisation.

Our Homes

In 2021/22 we plan to achieve the following for our existing homes:

- Tackle the pandemic repairs backlog and implement an optimisation plan for the Cost Sharing Vehicle with Platform Property Care.
- Deliver £2.5 million of energy efficiency works to 170 of our homes.
- Define the Rooftop Living Homes standard for our existing homes and a fully costed plan to achieve energy Band C**.**

We aspire to achieve SAP level A on all our new homes, offering residents high levels of thermal comfort and reduced energy bills estimated to be around £350 per annum compared to a home built to standard building regulations.

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 we were 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 £7.0 million of grant 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 are designed to fund more social homes and to help meet the objectives of the group.

Of the 1,000 homes the group successfully completed 50 homes in 2020/21, against a target of 157. There are a further 229 new homes onsite and a further 255 homes due to go on site during 2021/22. We have now completed 417 homes towards our target of 1,000 homes by March 2023. We have sold 36 new shared ownership homes during the year, giving a surplus of £318,000. There is one scheme in Broadway which is an extra care scheme where we have not been able to sell the homes as planned. To make the most of that asset we are planning to convert the remaining seven unsold homes into rented homes up to March 2024, with the flexibility to sell the homes should the opportunity arise. We also sold five outright sale homes, generating a surplus of £25,000. There are two outright sale homes remaining to be sold.

Our Corporate Plan has been updated to complete 1,000 new homes from April 2021 to March 2026.

Our development team are progressing the replacement of 46 homes sold under the Voluntary Right to Buy Scheme and have £7.5 million of funds available in order to complete this over the next nine years. However, we are planning for these homes to be completed by March 2024. This will be a mix of homes for rent and shared ownership.

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. There are six homes that currently do not meet Decent Homes Standard, four of these are void.

During the year we invested £1.17 million in our existing homes to keep them up to standard. The two areas of highest spend were boilers and kitchens. In addition to this we spent a further £165,000 on revenue spend on the tarmacking of our sites.

Better Business

Following the simplification of our Group structure in March 2020, all our homes and loans are now in one company, Rooftop Housing Association, which enabled us start disposing of stock not within our core area. In 2020, ten poorly performing properties of traditional construction were demolished for a new development of 22 homes at one of our key villages in Middle Littleton. This was in consultation with our existing residents who have also been involved in the design of the new homes.

We have arranged a new bond for £50 million with THFC/(bLEND); £30 million was drawn in November 2020 and the remaining £20 million will be drawn in November 2021. In addition to this, an existing revolving credit facility for £25 million was extended for three years to June 2025. This has strengthened the availability of loan funding for our development programme and means we will not need to arrange new funding for another three years.

In November 2020, the Regulator of Social Housing confirmed Rooftop's continued rating of G1/V1 following the Annual Viability Assessment. 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 four years:

Scheme	**Scheme valuation**	**Net rental income**	**2020/21** **Net rental yield**	**2019/20** **Net rental yield**	**2018/19** **Net rental yield**	**2017/18** **Net rental yield**
Biddulph – sold Sept 2020	£1,100,000	£34,555	6.28%	6.69%	6.11%	4.53%
Bridge Street	£1,277,125	£22,812	1.79%	1.26%	2.45%	1.19%
Warwick House	£365,000	£11,942	3.27%	3.31%	4.17%	2.41%
Nuneaton – sold Apr 2021	£847,000	£25,578	3.02%	2.42%	3.31%	4.52%
The Hawthorns	£3,530,000	£261,126	7.40%	7.43%	6.90%	6.70%

We have shown a positive return on each of the schemes over the last four years however, the return from Bridge Street remains lower. This is a listed building in Worcester which is spilt into flats that are used for Market Rent. The property has needed an increasing number of repairs which are more expensive due to its listed status.

In September 2020 we sold properties at Biddulph, and those at Nuneaton in April 2021, which were outside our core operating area. This followed the transfer of Assets and Liabilities from RHL to RHA in March 2020.