

## **Value for Money and Performance Report 2021/22**

### **Summary**

We have set five ambitious targets within our five year 2021 to 2026 Corporate Plan. These targets aim to ensure we deliver Value for Money maximising the impact of our resources in delivering our charitable objectives.

In 2021/22 we continued to work towards our Corporate Plan objectives across the three streams of Successful Lives, Great Homes, and being a Better Business. In summary:

- We are making good progress to deliver up to 1,000 new homes
- We invested in a customer service team
- We continue to invest in digital solutions to improve processes

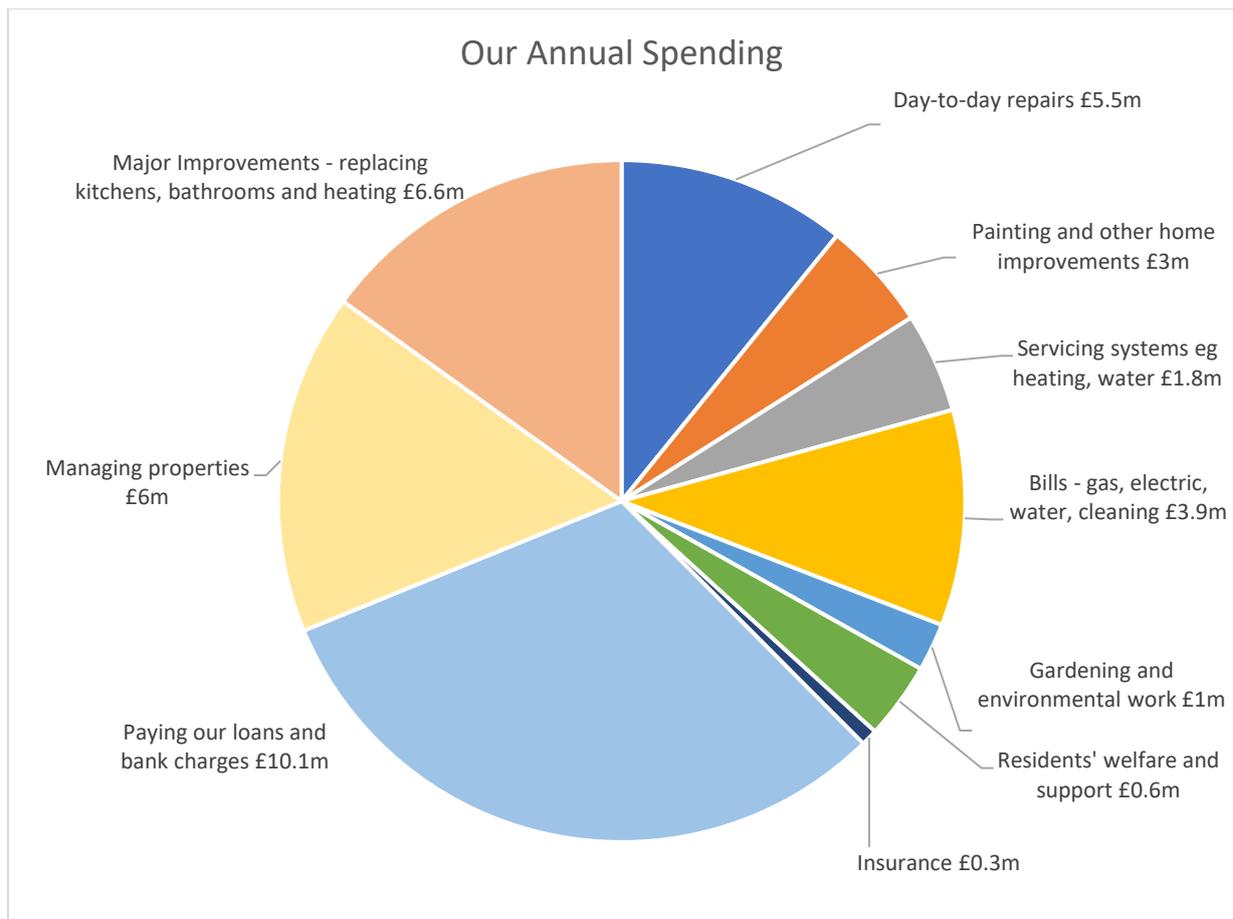
We continued to deliver against our wider 2026 targets around sustainability, supporting people and communities and business improvement during the year.

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 is expended during the year to provide transparency.

### **How We Will Spend Our Money - 2022/23 Budget**

The graph below shows a breakdown of our expenditure – the three areas covered in the bullet points represent 58% 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 improve our homes and build new homes for people in housing need.
- Major Improvements is the second largest area including the replacement of kitchens, bathrooms and boilers. These improvements keep our homes up to and beyond the Decent Homes Standard.
- The next largest area of spend is on the day-to-day repairs of our homes.



### 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 2021/22 and continues to challenge the Executive Team to drive forward this agenda for the future.

The Corporate Plan for 2021 to 2026 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 2021/22:

- In line with our Asset Management Strategy, look to rationalise our stock outside of our core operating area and review properties with no business case to retain.**

In 2021/22, we disposed of three schemes which were either located outside of Worcestershire and Gloucestershire or that were uneconomical to bring up to our Rooftop Living Standard. This generated a surplus of £1.2 million which can be reinvested into our core area.

- To look at the efficiencies of working with our partner, Platform Property Care, by reviewing the cashable savings of our Cost Sharing Vehicle.**

In November 2020, we concluded an options appraisal and concluded that the Cost Sharing Vehicle continues to be the most appropriate delivery model. During 2021/22, an HMRC Compliance Check confirmed our approach to CSV VAT savings. We have begun a joint project with Platform Property Care to review performance and establish efficiencies which will include an independent review in 2022/23 to ensure Value for Money.

- **Reduction in arrears and bad debts following digital investment.**

In 2021/22, we implemented software designed to aid reporting, prioritisation of arrears and automating phone calls. Along with an increase in staffing levels, the level of arrears has reduced by £430,000 with overall rent collection at 102.2% for the year. The Income Team is now well equipped in 2022/23 to address the challenge of cost of living pressures on our customers.

- **Pursuant to our Digital by Design objective, procure and implement new HR/Payroll system to streamline processes, improve reporting and reduce waste between teams.**

The new Your Vibe system went live in March 2022 with further modules due in 2022/23. In addition, in 2021/22, a new Finance system was procured and scoped with implementation due towards the end of 2022/23. It is thought that both systems will bring about efficiencies and aid decision-making through self-service and enhanced reporting.

- **Maximising income from homes by reducing void loss.**

A comprehensive approach has been taken to addressing void performance that has resulted in improvements with general needs and older persons accommodation. A specific approach for targeting Extra Care void challenges is in place, through the Voids Action Plan. Despite these actions, void loss for 2021/22 was £755k over budget, compared to £333k in 2020/21. This will be a key area of focus in 2022/23.

- **Provide excellent customer service through targeted work on the void standard, processes and tenancy sustainment.**

A Task and Finish group is in place with a range of process improvements secured. A new lettable standard has been outlined in partnership with Platform Property Care and is now in operation. In addition, a new team focussed upon Tenancy Sustainability is due to launch in 2022/23 which will focus upon affordability and letting to the right tenant first time, reducing costs as a result.

The Value for Money Strategy was updated in March 2022 to reflect the refreshed Corporate Plan 2021-26 and include commitment to our customers. The associated action plan was streamlined to flag the most strategic actions, summarised below:

- Repairs Efficiency Review
- Maximising Income through review of voids
- Business Improvement through review of Core Operating Model
- Asset Rationalisation
- Measurement of Social Value.

Progress made towards these defined outcomes will be reported in the 2022/23 Value for Money Statement.

### **Delivering Value for Money**

Rooftop's Financial Statements include an annual self-assessment of how we are achieving Value for Money in delivering our annual and long-term Corporate Plan objectives and complying with the regulatory Value for Money standard. Our assessment is based on the 'Sector Scorecard' metrics, which include key performance indicators covering customer satisfaction, financial security and our effectiveness as a business. This year we will again strengthen our Value for Money strategy and detailed annual Action Plan.

The Sector Scorecard includes the nine metrics specified by the Regulator of Social Housing. The group-wide results for 2021/22 are set out below, with comparatives from 2020/21 and targets for 2021/22 and 2022/23. The targets are embedded in Rooftop's budget and performance processes.

## Performance and future targets

| <b>Regulatory metrics</b>  | <b>2020/21<br/>Result</b> | <b>2021/22<br/>Target</b> | <b>2021/22<br/>Result</b> | <b>2022/23<br/>Target</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Metric 1 - Reinvestment Percentage                               | 3.2%                      | 10.5%                     | 6.4%                      | 12.6%                     |
| Metric 2a - New supply delivered (social housing units)          | 0.8%                      | 3.7%                      | 1.9%                      | 2.7%                      |
| Metric 2b - New supply delivered (non-social housing units)      | 0.0%                      | 0.0%                      | 0.0%                      | 0.0%                      |
| Metric 3 - Gearing   | 54.8%                     | 62.0%                     | 56.3%                     | 56.0%                     |
| Metric 4 - EBITDA MRI as a percentage of interest                | 166.2%                    | 137.0%                    | 122.3%                    | 128.0%                    |
| Metric 5 - Headline social housing cost per unit                 | £3,183                    | £3,898                    | £4,083                    | £4,100                    |
| Metric 6a - Operating Margin (overall)                           | 32.2%                     | 29.8%                     | 25.7%                     | 27.4%                     |
| Metric 6b - Social Housing operating margin                      | 39.2%                     | 36.2%                     | 29.8%                     | 31.7%                     |
| Metric 7 - Return on capital employed (ROCE)                     | 3.8%                      | 3.7%                      | 3.4%                      | 3.3%                      |
| <b>Other Sector Scorecard metrics</b>                            |                           |                           |                           |                           |
| Customer satisfaction  | 85.0%                     | 90.0%                     | 81.9%                     | 90.0%                     |
| £s invested for every £ generated from operations in communities | £0.04                     | £0.05                     | £0.04                     | £0.04                     |
| Occupancy  | 99.3%                     | 99.2%                     | 99.0%                     | 99.2%                     |
| Ratio of responsive repairs to planned maintenance spend         | 0.85                      | 0.50                      | 0.68                      | 0.60                      |

|  |       |       |        |        |
|--|-------|-------|--------|--------|
| Rent collected                               | 99.9% | 99.1% | 102.2% | 100.0% |
| Overheads as a % of adjusted turnover        | 11.2% | 11.2% | 12.0%  | 11.8%  |
| Void loss as a % of rent debit (all tenures) | 3.3%  | 2.0%  | 3.9%   | 2.2%   |

The Value for Money metrics show that the **Reinvestment percentage** of 6.4% is much lower than the target of 10.5%, reflecting both the new supply issues and the struggle with construction resources, particularly labour availability. The target of 12.6% for 2022/23 reflects the ramping up of development activity as we move towards our up to 1,000 homes objective.

Our **New Supply Delivered of Social Housing** at 1.9% is lower than the target of 3.7%. The target was based upon the September 2020 Financial Business Plan which planned for a more condensed programme of our up to 1,000 homes objective. Following on from our new Development Strategy, 1,000 homes will now be delivered by 2028 instead of the 2023 plan. The target of 2.7% for 2022/23 will be achieved by delivering the 145 homes in the new development programme.

Our **Social Housing Operating Margin** of 29.8% is lower than the target of 36.2%. This is largely driven by increased repairs and maintenance charges, where inflation, staff and labour shortages all contributed to higher costs and void turnarounds. There is also a higher void income loss due to the difficulty of reletting properties particularly at the Older Persons Schemes where nervousness around COVID-19 led to a reluctance for some to move in. The sector average in 2020/21 was 27.7% so we accept that our reduced performance in this area is reflective of the pressures felt elsewhere. The target for next year of 31.7% is similar to that achieved in 2021/22 but achieving this will be increasingly difficult should inflation continue to rise.

For **Customer Satisfaction** our year end result was 81.9%, which was 9.1% 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 drop is considered reasonable for other Housing Associations based on evidence available, however hitting the 90% target will be a key focus for the year ahead. Our new Tenancy Support and Customer Experience teams will improve customer communication and complaints handling.

Our **Rent Collected** for the year was 102.2% 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. In 2021/22, the RentSense system was implemented, which enabled us to further improve our income collection rates through better reporting and prioritisation of cases. In light of cost of living pressures, the target for 2022/23 of 100% will be a challenging focus.

| <b>Other Key Metrics – targets for 2021/22</b>        | <b>Target<br/>2021/22</b> | <b>Result<br/>2021/22</b> | <b>Achieved?<br/>Y/N</b> |
|---|---------------------------|---------------------------|--------------------------|
| Percentage of repairs completed first time            | 85%                       | 87.8%                     | Y                        |
| Average number of days to complete responsive repairs | 14.0                      | 29.4                      | N                        |
| Average days to re-let                                | 20.0                      | 22.8                      | N                        |
| Rent arrears as a percentage of rent debit            | 4.0%                      | 3.3%                      | Y                        |
| Percentage staff sickness absence                     | 4.5%                      | 3.7%                      | Y                        |
| Benefits realised for tenants by money advice team    | £2.3 million              | £3.2 million              | Y                        |
| % of colleague turnover                               | 13.0%                     | 24.8%                     | N                        |

Due to a number of supported schemes being more difficult to let and relying on council referrals, our average days to re-let of 22.8 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 by targeting more challenging schemes for improvement. We work closely with Partners, Platform Property Care, who provide a repairs service on our behalf, and are monitoring their performance in this area.

## Peer Comparison 2020/21

As part of the Value for Money Standard we must include data around peer comparison and have had a piece of work carried out by Vantage, presented to our Board in January 2022. 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  | 3.2%           | 0.8%                            | 0.0%                                | 54.8%     | 166.2%   | £3,183                                | 39.2%                  | 32.2%                      | 3.8%   |
| Thrive Homes Ltd       | 16.6%          | 1.7%                            | 0.0%                                | 73.3%     | 200.3%   | £3,730                                | 37.7%                  | 38.6%                      | 4.9%   |
| Two Rivers Housing     | 5.6%           | 2.0%                            | 0.0%                                | 55.3%     | 224.2%   | £2,970                                | 28.3%                  | 28.8%                      | 4.8%   |
| Connexus               | 8.7%           | 1.6%                            | 0.0%                                | 64.0%     | 192.7%   | £3,158                                | 25.8%                  | 26.4%                      | 4.5%   |
| North Devon Homes Ltd  | 2.4%           | 0.8%                            | 0.3%                                | 57.0%     | 154.4%   | £2,880                                | 28.6%                  | 26.4%                      | 3.5%   |
| Westward Housing Group | 4.6%           | 0.8%                            | 0.0%                                | 30.9%     | 241.3%   | £2,890                                | 28.3%                  | 27.0%                      | 3.1%   |
| Selwood Housing        | 5.4%           | 1.8%                            | 0.0%                                | 31.0%     | 420.0%   | £3,750                                | 26.0%                  | 24.0%                      | 2.2%   |
| Gloucester City Homes  | 16.0%          | 2.0%                            | 0.0%                                | 51.0%     | 140.0%   | £3,990                                | 24.9%                  | 21.1%                      | 2.8%   |
| Trent & Dove Housing   | 8.9%           | 2.4%                            | 0.0%                                | 58.5%     | 187.1%   | £3,171                                | 22.6%                  | 20.1%                      | 4.0%   |
| <b>Peer Average</b>    | 8.5%           | 1.6%                            | 0.0%                                | 52.6%     | 220.0%   | £3,317                                | 27.8%                  | 26.5%                      | 3.7%   |
| <b>Sector Average</b>  | 6.9%           | 1.4%                            | 0.2%                                | 45.5%     | 208.9%   | £4,082                                | 27.7%                  | 24.3%                      | 3.9%   |

### 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 delivered 50 new homes in 2020/21 but incurred delays following lockdown-related restricted activity. While this was below the sector average, 0.8% was comparable to many of our peers.

## **New supply delivered – Non Social Housing**

The Board has decided not to develop any further homes in this category.

## **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**

In this area we currently rank close to sector and peer averages. We are pleased to be able to maximise the use of our assets.

## **What we have achieved in 2021/22**

### **Successful Lives**

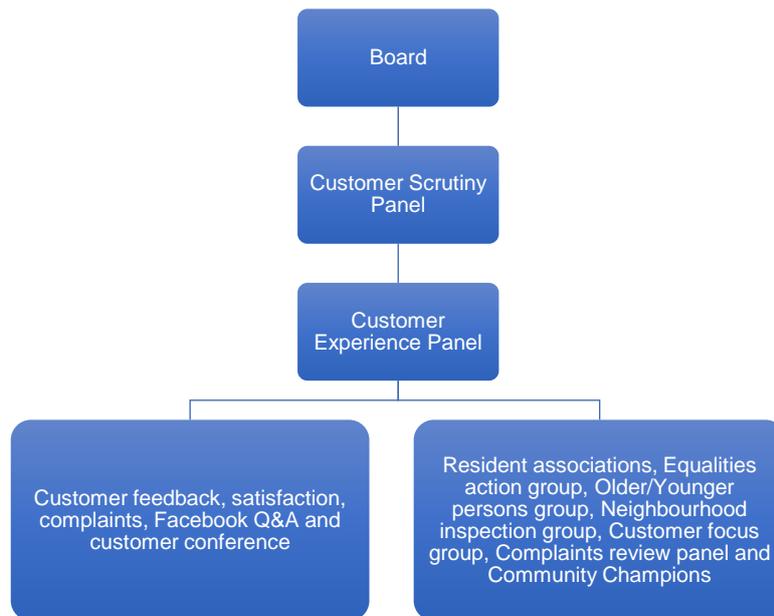
#### Supporting Customers

We recognise that some of our customers are experiencing financial hardship particularly in light of cost of living pressures and we continue to proactively support in the following areas:

- Our Emergency Assistance Fund was increased following a £30k grant from Wychavon District Council and we used this to assist customers by paying for food, white goods and household fuel.
- Our Money Advisors had an exceptional year helping 1,940 customers apply for additional income entitlement of £3.2 million.
- Our Building Better Opportunities job coaches continue to support and have this year worked closely with Job Centre Plus partners to identify specific training based around upskilling to maximise opportunities in finding employment.

#### Customer Charter

This year, we launched our Customer Charter outlining our Customer Promise, measurable service standards and new Customer Engagement Framework. This new Customer Engagement Framework offers a range of ways customers can be involved either on a formal or informal basis, as well as offering a range of focus groups. As part of this work, we will implement a new Customer Experience Panel in Q1 2022/23 that will have direct links to scrutiny, as per below:



## Customer Experience

As part of our commitment to Excellent Customer Service, we have invested in a Customer Experience Team with a new Customer Experience Manager starting in March 2022. The key priorities for this area will be the development of a consistent quality approach to customer service, complaints management, customer satisfaction and development of a new Customer Experience Panel. Work is now underway to develop 'First Point Contact Resolution' which will be launched in 2022/23 alongside a complaints triaging system.

## Great Homes

In May 2021, the Board approved a Corporate Plan which included their vision to build up to 1,000 homes. This includes Homes England Strategic Partnerships Grant Funding secured following successful bid submissions through Matrix Partnership. 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 across both funding programmes is £31.3 million. This can be claimed in line with capital expenditure and ahead of start on site, which delays borrowing requirements and therefore reduces interest costs. We have received £7.6 million of grant to date.

Within the 1,000 homes are a mixture of social rent, affordable rent and shared ownership. The Development Strategy does allow for the delivery of a small number of homes for outright sale with the proceeds allocated to fund more social homes and to help meet the objectives of the group.

Of the 1,000 homes, the group successfully completed 116 homes in 2021-22. There are a further 339 new homes onsite with 145 homes expected to handover in 2022-23.

We have sold 37 new shared ownership homes during the year in addition to shared ownership staircasing and strategic disposals.

In 2021-22, our development team started on site to deliver 43 homes for social rent to replace those sold under the Voluntary Right to Buy Scheme on a one for one basis. There is £7.5 million funds available to build the replacement homes, as part of the 1,000 homes programme.

## **Better Business**

As part of our commitment to reducing the levels of staff turnover following the pandemic, hybrid working has now been promoted across the majority of roles. This blended approach of working from home and in the office has been well received and we continue to promote this offering in recruitment. In addition, a full review of Rewards and Benefits will be carried out in 2022/23.

We have recently implemented a new HR/Payroll software with the first payroll run in March 2022. Feedback on Your Vibe has so far been very positive and in 2022/23, we will launch additional modules such as Performance Management and Learning and Development. This new system will bring about efficiencies and aid decision-making through self-service and enhanced reporting.

In line with our Leadership and Learning Excellence objective, we launched a Leadership and Management Development Programme in September 2021. The aim of 'Leader In You' is to develop leaders to be future proof, enhancing our culture and for positive impact on service to be felt by our customers. In addition, the sessions have been mapped against the Chartered Institute of Housing Professional Standards and designed to actively embed our values and enhance Equality, Diversity and Inclusion. This programme draws to a close in early 2022/23 and we hope to see the impact in all areas across the business.

In November 2021, the remaining £20 million of our £50 million THFC/(bLEND) bond was drawn, strengthening funding for our development programme.

In 2021/22, a property charging exercise was carried out in order to release security of properties identified for disposal. The substitution of additional properties increased surplus security and satisfied our interest cover covenant.

The QL Self-Serve app went live in August 2021 and is proving to be a useful tool to push out notifications to customers about urgent issues, such as the process for repairs following poor weather warnings. We also went live with the customer portal which enables customers to report repairs, make payments and manage their account online. We will be upgrading the app and portal to a new version in 2022/23.

### **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 electric car as their first port of call instead of their own petrol or diesel vehicles, thus promoting a healthier environment. During 2019/20 we extended this further and leased an electric van for our handymen to use. Employees are also welcome to use the charging point at our Evesham office for their own electric vehicles.

Our newly built properties contain an electric vehicle charging point and we also have set up a car club at a scheme in Gloucester, which is available for the residents to join free of charge providing 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. This is now also being considered at potential future developments.

### **ISO14001 Certified**

We are committed to improving our environmental performance for the group and the people we do business with. This is reflected in a successful ISO14001 audit in March 2022 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. Rooftop also holds ISO9001 Quality Management System accreditation, and it has been decided to merge the two standards into an integrated management system (IMS).

## Performance of our non-social assets

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

| <b>Scheme</b> | <b>Scheme valuation</b> | <b>2021/22<br/>Net rental yield</b> | <b>2020/21<br/>Net rental yield</b> | <b>2019/20<br/>Net rental yield</b> | <b>2018/19<br/>Net rental yield</b> | <b>2017/18<br/>Net rental yield</b> |
|---------------|-------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Bridge Street | £1,198,293              | 1.54%                               | 1.79%                               | 1.26%                               | 2.45%                               | 1.19%                               |
| Warwick House | £160,236                | 6.86%                               | 3.27%                               | 3.31%                               | 4.17%                               | 2.41%                               |
| The Hawthorns | £3,542,000              | 7.48%                               | 7.40%                               | 7.43%                               | 6.90%                               | 6.70%                               |

We have shown a positive return on each of the non-social housing schemes however, the return from Bridge Street remains lower. 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 its listed status. The rental yield for Warwick House has increased following a reduction in the scheme's market valuation.

Not included above is our scheme in Nuneaton which we sold in April 2021. As with Biddulph, disposed of in 2020/21, these properties were outside of our core operating area.