Rooftop
Housing Group

Annual Report and Financial Statements

2017 / 18

Rooftop Housing Group Limited • Rooftop Housing Association Limited
Rooftop Homes Limited • Rooftop Support and Care Limited

Rooftop Housing Group

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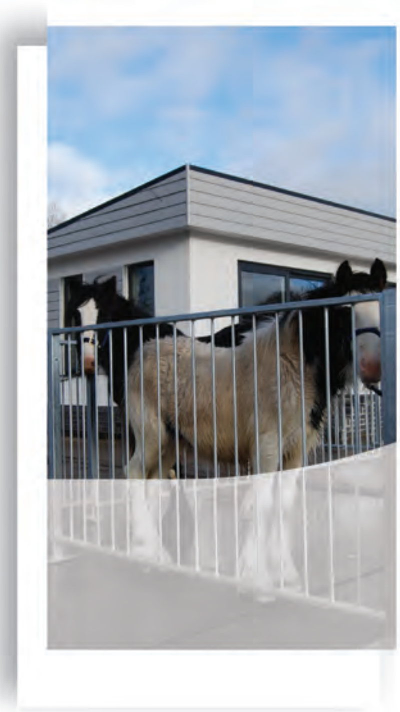

Rooftop Housing Group Limited • Rooftop Housing Association Limited
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Rooftop Housing Group Limited
Annual Report and Financial Statements
2017/18

Contents

Board, executive and advisors

Registered office	70 High Street Evesham WR11 4YD
Board	- Nicola Inchbald (Chair) - Keith Rolfe (Vice Chair) - Kelvin Hard (resigned 14 September 2017) - Hilary Hobart - Martin Holland - Ceri Jones - Paul Kellard - Sheila Kettley (resigned 30 June 2018) - Rachel Lathan - Robin Richmond - Malcolm Robson - Emma Wilson (resigned 13 September 2017)
Executive officers	- Boris Worrall, Group Chief Executive - Caroline Dykes, Finance Director (Secretary to 15 November 2017) - Sheila Morris, Secretary and HR Director (left 31 May 2017) - Ann Lindon, HR Director (left 31 January 2018) - David Hannon, Development Director - Juliana Crowe, Housing and Communities Director - Laura Crabb, People and Performance Director (from 2 October 2017) - Caroline Allen, Secretary (from 15 November 2017)
External auditor	BDO LLP 2 Snowhill Birmingham B4 6GA
Bankers	Barclays Bank Plc 54 High Street Worcester WR1 2QQ
Internal auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Principal solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2ES

RML Board details	- Boris Worrall
(Dormant company)	
Other legal advisors	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ
Lenders	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW Lloyds Banking Group 25 Gresham Street London EC2V 7HN Legal and General Assurance Society Limited One Coleman Street London EC2R 5AA Santander Corporate and Commercial Banking 17 Ulster Terrace Regent's Park London NW1 4PJ
Funding advisors	JCRA (from 1 January 2018) 12 St James's Square London SW1Y 4LB Capita Asset Services (until 31 December 2017) 64 Gresham Street London EC2V 7NQ
Insurance brokers	Zurich Municipal Zurich House Ballsbridge Park Dublin 4 Ireland
Taxation advisors	RSM UK Tax and Accounting Temple Row Birmingham B2 5AF

Valuers	Savills Plc 19/20 City Business Centre 6 Brighton Road Horsham West Sussex RH13 5BB
Performance analysis	HouseMark Ltd 8 Riley Court Millburn Hill Road University of Warwick Science Park Coventry CV4 7JJ

Report of the Board

The Board is pleased to present the Report of the Board, the Strategic Report and the audited financial statements for the year ended 31 March 2018.

The reports and financial statements are prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity and Rooftop Housing Group Limited is the Group parent.

Group structure

Rooftop Housing Group Limited (RHG), the Group parent, is a non-asset holding, non-charitable Registered Society (29661R), registered with the Homes and Communities Agency (HCA) (L4404), providing operational and corporate services, including treasury management, information and communication technology, and human resources for the whole Group.

Rooftop Housing Association Limited (RHA) was registered as a Registered Society in May 1993 (27786R) and obtained registration with the HCA in September 1994 (LH4050). RHA provides core social housing that meets charitable criteria.

Rooftop Homes Limited (RHL) is an asset holding non-charitable Registered Society (29660R) registered with the HCA (LH4405). It provides housing that falls within the definition of social housing including keyworker and registered care activities. It also owns and operates market rented stock, residential garages and garage courts.

Rooftop Support & Care Limited (RS&C) is a charitable Registered Society (25211R) and manages supported accommodation for young homeless adults, as well as providing support to older RHA residents. A transfer of all activities and assets from RS&C to RHA took place on 3 April 2018.

Rooftop Management Limited (RML) is a wholly owned commercial subsidiary company (Registered in England 3569438). This company became dormant from 31 March 2005.

Principal activities

The principal activity of the Group is to provide housing accommodation at below market rents for people in housing need.

Additionally the Group provides:

- housing for sale, both shared ownership and outright sale
- temporary housing accommodation through supported housing schemes
- housing accommodation for keyworkers
- housing accommodation for market rent
- a limited amount of commercial property
- management of older people schemes in partnership with the ExtraCare Charitable Trust
- provision of support services primarily to young and older people.

Regulatory framework for social housing

The Board considers it a priority to comply with the regulatory framework and to maintain G1 and V1 ratings from the Regulator of Social Housing under the Governance and Financial Viability Standard. These were formally assessed by the Regulator through the In Depth Assessment process in January 2016 and reconfirmed in October 2017.

The Board has conducted a detailed self assessment exercise and considers that the Group remains compliant with the standards. As part of this the Board recognised the following factors:

- Board strategy event on 6-7 October 2017 reviewed Rooftop's vision, values and outcomes for tenants and potential tenants
- A new role of Head of Governance was introduced during the year to support robust governance oversight
- A Governance Improvement Plan was approved by the Boards in January 2018. The Plan will span 18 months and aims to strengthen existing governance arrangements
- Board appraisal system was reviewed for 2018 and changes were made to include 360° feedback for all Board Members, including a skills review
- Audit and Risk Committee terms of reference were reviewed and presented to Boards for approval in May 2018
- An upgraded risk function was established in June 2017 with the Head of Risk and Compliance and Risk and Compliance Officer leading on delivering an effective internal control framework
- Introduction of early warning indicators which are reported quarterly to Audit Committee and Executive Team
- During the year RHA obtained £50 million of new revolving credit facilities and the securitisation process was close to completion at year end
- At 31 March 2018 RHA had 49 months until new funding was required, and RHL had 23 months
- A new Treasury team has been created including a Treasury Manager to help ensure Rooftop can maintain monitoring and reporting with an increased number of funders
- All regulatory returns (FVA, SDR, Quarterly Returns, FFR, Fraud) have been submitted to the regulator's deadline
- Asset data is held on all dwellings within an Asset Performance Evaluator, a live tool used to measure present values on all stock and informs investment and disposal decisions. Board received update on Asset performance in November 2017 showing an average net present value of £52,000 per unit
- Resident Excellence Panel scrutinises Rooftop services to its residents, through a programme of scrutiny reviews and to act as a source of assurance
- Piloted Sector Scorecard and adopted this as our core value for money tool for 2018/19.

Internal controls

The Group Board is responsible for the overall system of internal control throughout the Group and for reviewing its effectiveness. The Group Board has delegated initial responsibility audit and assurance functions to the Audit Committee, which comprises Board Members from across the Group. The members of the Audit Committee are chosen for their appropriate skills, while representing the composition of the Group.

The Audit Committee has responsibility for reviewing the adequacy of all risk and control related statements prior to endorsement by the relevant Boards and reviewing the effectiveness of internal control systems, including management, financial, operational and risk controls, so that the Group can be reasonably assured that appropriate and effective risk management arrangements are in place.

Work undertaken by the Audit Committee during the year included:

- Financial reporting, including the integrity and appropriateness of financial statements
    - Reviewed the statutory accounts and external audit findings
    - Reviewed the performance of the External Auditors (BDO) during 2017/18 and the 2017/18 final accounts timetable
    - Approved the 2017/18 Accounting Policies.
- Risk management process and framework
    - Approved the reporting, by exception, of performance indicators to give assurance that the risk process is effective
    - Discussed the quarterly reports on significant risks including the key performance indicators, challenged the early warning indicators and sought assurance on the accuracy of the assessments and the controls
    - Reviewed the annual update on insurance, noting the level of cover, claims record and estimated renewal costs.
- Internal and external audit functions
    - Approved the Audit Committee annual reporting cycle
    - Reviewed the scopes for individual internal audits prior to fieldwork and ensured that the work being undertaken addressed key business risks
    - Reviewed the summary report on internal controls presented by the Internal Auditors (Beever and Struthers) and noted the overall status of 'substantial' assurance. Substantial assurance was achieved based on 70 audit days of work covering 16 (eight strategic and corporate, four financial and four operational) internal audit areas. There were three 'full assurance' opinions in the areas of health and safety – gas safety, budgetary control and housing management system project review. There were no 'limited assurance' or 'no assurance' opinions given during the year. All 13 other reports were given 'substantial assurance' opinions
    - Reviewed the internal audit tender exercise and recommended the appointment of Mazars as Internal Auditors for a period of five years
    - Approved the Internal Audit five-year plan to be conducted by Mazars from 1 April 2018.
- Compliance, whistleblowing, fraud, anti-bribery, asset and liability registers and stress testing
    - Reviewed the tenancy fraud policy and recommended approval by the Board
    - Reviewed the fraud registers (tenancy and general) prior to each Audit Committee meeting and noted that there were no exceptional items
    - Reviewed the gifts and hospitality register prior to each Audit Committee meeting and noted that there were no exceptional items
    - Reviewed the governance improvement plan and noted progress
    - Reviewed the General Data Protection Regulation (GDPR) update and noted action plan progress
    - Reviewed and noted key areas highlighted in an analysis of regulatory governance downgrades elsewhere in the sector
    - Reviewed the results of the internal controls self-assessment carried out by the Leadership Team and requested quarterly updates on actions being taken to improve areas of concern
    - Reviewed the annual anti-money laundering company-wide risk assessment and noted the 'low' risk status
    - Approved the annual report on the effectiveness of the Audit Committee and its terms of reference.
- Resident Excellence Panel
    - Approved the Resident Excellence Panel's updated three-year plan, and the final report on the empty homes (void) standard scrutiny review
    - Approved the Resident Excellence Panel's repairs and responsibilities scrutiny review report containing recommendations to improve the experience for residents whilst delivering value for money
    - Approved the review of 'empty homes (void) standard and 'service charges in communal areas' as the first items in the developing three-year Residence Excellence Panel review plan

- Reviewed and noted the status of the actions from the Resident Excellence Panel's reviews of 'continuity in resident enquiries', 'cost sharing vehicle' and 'repairs responsibilities'
- Reviewed the Residence Excellence Panel's scrutiny reviews action plan and noted progress with the actions.

There were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.

General Data Protection Regulation

The Board recognises the importance our customers and stakeholders place on our use of their personal data and that we are transparent and accountable in the ways we collect, use and safeguard it.

Rooftop is mindful of the requirement to comply with the new General Data Protection Regulation (GDPR) and Data Protection Act 2018 which came into effect on 25 May 2018 and therefore has taken steps to ensure our staff and partners are aware of our obligations, by undertaking mandatory training and increasing awareness at all levels within the organisation. We have ensured our third party partners, who process personal data on our behalf, have security and compliance at the forefront of their work for us by way of legal agreements and audit of their systems.

We have also reviewed our own compliance with the GDPR and Data Protection Act 2018 and are of the view that there has been no material non-compliance with the legislation following implementation. Notwithstanding, and in line with good practice, Rooftop continues to keep the organisation's compliance under review.

Code of governance

The Board has formally adopted the National Housing Federation's Code of Governance (2015), and Code of Conduct (2012). The Board has formally assessed its compliance against the Code of Governance and confirms that the organisation is fully compliant.

Governance

RHG is governed within the framework set by its rules as a Registered Society. These state that RHG will have a Board and determine its membership. In making appointments to the Board, the Group seeks members with a range of skills that it requires to effectively govern its business.

The Board Members of RHG, RHA, RHL and RS&C are carefully selected to make sure that they have the mix of skills and experience appropriate to their roles within the Group.

Board Members' responsibilities

The Board Members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board Members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the Board Members. The Board Members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue as auditors. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Employees

Within the Group structure all staff are employed by RHG, the Group parent. RHG is committed to promoting equality of opportunity in its employment practices. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

The Group has continued its practice of consulting and keeping employees informed on matters that affect them and on the progress of the Group. This is carried out in a number of ways including: formal consultation with the employee forum, departmental meetings and a company-wide briefing session.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. It reviews it health and safety policy and statement on an annual basis, has prepared health and safety procedures to support compliance and a Safety Committee has been established. All staff receive a detailed health and safety induction on commencement and a programme of training on health and safety matters is ongoing. For 2018, a wholescale review of the Group's health and safety management has been commissioned.

Insurance

RHG maintains insurance policies for members of the Board and executive directors against liabilities in relation to the Group.

Going concern

The Board considers that it has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the 'going concern' principle in the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 26 September 2018.

By order of the Board

N. A. Inchbald,

Nicola Inchbald
Chair
18 July 2018

Strategic report

Why we do what we do

Rooftop is characterised by people with passion and purpose. It's at the heart of everything we do and every decision we make. Our 'profit for purpose' approach underpins our goals to:

- Build great, sustainable, affordable homes
- Support successful, healthy lives
- Create a better business for the future.

2018/19 sees the launch of a new five-year plan for Rooftop. Our aim is to reshape the business to adapt to emerging customer need and the changing external environment. We will continue to build on our proud history and heritage, whilst realigning towards an ambitious plan for growth and evolution.

We have set out our Vision for 2023 and our detailed plans for 2018/19, including preparing for growth through transformation. We recognise the need to develop the Rooftop offer and become a truly modern, social and dynamic business that has the capacity to respond to opportunity. 2018/19 is our 'get ready' year.

Building on our strengths

Rooftop is a group of people with a strong sense of purpose. For many years we have benefitted from a good reputation based on our successful track record and a history of strong performance. It's a good place to work and we plan to make it great by building high performing teams within a first-class organisation. We have built a solid knowledge bank in our staff, who are well networked and have good experience in their fields.

Our robust and disciplined approach to governance and strong financial performance mean that we retain the highest regulatory rating for governance and continue to deliver excellent Value for Money. We build houses to exceptional quality and design and take a proactive approach to land banking. The value and condition of our assets is high.

We have developed highly regarded specialist support services for younger people, older people, gypsies and travellers, and victims of domestic violence. Our customers appreciate our strong service culture and commitment to involvement and listening.

Capitalising on opportunities

We are seeing growing demand for our services, changes in the external environment and increased levels of need. We can respond to the developing housing crisis, ageing population and increases in homelessness through the provision of specialist accommodation and services. We do so by delivering as many homes as we can, including properties for shared ownership and market sales to meet aspiration as well as need.

As customer behaviour and service delivery expectations evolve, we are responding by encouraging our customers to self-service and direct delivery, and by digitising our approach to work. We will commit to harnessing technology for the good of our customers and colleagues.

We are capitalising on our ability to scale by seeking partnerships of mutual benefit where goals and values are shared. We will continue to strengthen our relationships with local authorities and funders, building a strong network of stakeholder partners. We will maintain robust arrangements with our suppliers and support providers, securing longevity of contracts and high levels of service.

Adapting our business

Building a modern, dynamic, social business that is fit for the future will require profound change in the way that we work. We have begun to evolve the Rooftop operating model to enable us to harness the power of technology, innovation and agility. We are reducing complexity and bureaucracy in our business, focussing our work programme and integrating our strategies.

By realigning our group structure and our financial arrangements to our future direction and by moving to a more focussed portfolio we can continue to grow and consolidate our place-based core in South Worcestershire and North Gloucestershire.

We will build a succession plan and a talent framework with our staff, devolving decision-making to create an environment of empowerment with leaders at every level.

How we work

Everything we do, for our customers and for each other, is underpinned by our values.

We work together

- We talk
- We listen
- We network

We make things better

- We solve
- We learn
- We evolve

We do the right thing

- We own
- We support
- We act!

The building blocks to 2023

The core strategic objectives for 2023 will be underpinned by a suite of five-year strategies covering the development of our property portfolio, customer engagement and business performance. The strategies will be realised on a year-to-year basis through the delivery of annual action plans, supported by robust performance management with a renewed set of KPIs from 2018.

STRATEGIC OBJECTIVES (5 Year)		
GREAT HOMES 1,000+ Homes Garden Village	**SUCCESSFUL LIVES** 4,000 Customers Supported 90% Customer Satisfaction	**BETTER BUSINESS** Top 10 Company 40+% Social Lettings Operating Margin

Our commitments in 2018/19

We will build great homes

As the organisation responds to the ever present and growing need for more affordable, well designed, well located homes, we will respond by identifying development opportunities in our key areas of operation. We will create an environment that supports the delivery of 311 homes this year whilst gearing up to the expectation of building **1000+ new homes by 2023**.

We will identify and secure a rolling **5-year land bank**, where we will look to deliver multi-tenure sites that deliver our core objective and offer a mix of homes suitable for a range of purchasers who require and demand well built homes to a high standard with a great level of customer service offering them affordable places to live. We deliver outright sales homes to generate cross subsidy and in doing so we will explore the merits of creating a **Development Company**.

During 2018 we will also investigate sites large enough to accommodate our **Garden Village** ambition for 2023. This year will also see our ambitious **Almonry** redevelopment scheme start on site, and the launch of an exciting new regeneration partnership at **Bishop's Cleeve**.

We make a step change in optimising the value of our existing asset portfolio and will move to an area-based repairs service whilst introducing a satisfaction survey matrix. Through these changes we will deliver customer **satisfaction rates to 90%** for both repairs and our wider services as a landlord. In 2018/19, we will seek to achieve EPC band E across our portfolio as part of an ambition to move towards the majority of our homes being at Band B by 2023.

We will support successful lives

2018 will see a step-change in the way we coordinate our customer offer through the launch of a new **Service Delivery Framework** (SDF). The SDF will allow appropriate balance between core and specialist services and ultimately improve the customer experience. This will be supported by our 'digital by design' approach and reinforced with the implementation of our new **'Rooftop Together'** service standard based on leaner processes and whole-patch ownership.

In 2017 we outlined our ambition to create a centralised, real time solution for customer engagement, and we began work on a project to implement a bespoke **Housing Management System** (HMS). We have identified a challenging target to support **80% of customers to access our services digitally**. The HMS will enable Rooftop to offer an easy to use self-service environment for its staff and customers. With greater flexibility (out of hours) and scope, improving financial inclusion and delivering more efficient and cost-effective provision of services, HMS will launch in Autumn 2018.

In 2018 we will review customer engagement across the organisation, continuing to monitor customers affected by the implementation of Universal Credit and welfare reform. Our ambitious income targets for this year include holding **rent arrears at 3%** and reducing our **re-let time to 12 days for general needs**.

Our programme of support-based services for customers remains at the heart of our 'profit for purpose' approach. In 2018 we will seek to secure further funding and certainty for these services towards 2023. Our **Community Investment Strategy** also outlines a range of specialist services for young people, older people, Gypsy and Traveller communities, armed forces personnel and people affected by domestic abuse. We are proud to be achieving significant results through these services and will be working with Government to advise at a national level during 2018.

We will create a better business

In 2018, a **Governance** Improvement Plan (GIP) will enable us to evolve the structure, governance, policies and procedures and practices we will need to deliver our 2023 Vision. Our focus will be enabling a more agile and flexible business environment and continued compliance with all regulatory and statutory requirements. The Board will review proposals during 2018 to evolve towards the optimum group and funding structure. We will continue to pursue **Value for Money** through the implementation of the Sector Scorecard.

We will continue to strengthen our **risk** systems, engagement, reporting and tools and ensure that business activity takes place within the risk appetite set by the Board. We will continue to strengthen our approach to keeping customers and colleagues safe. Development of **Health & Safety** reporting will continue during 2018 and compliance policy reviews will be undertaken to provide assurance and facilitate corrective action.

We will continue to enhance our **technology** systems and digital working environment to enable mobile and agile working, and drive to digitise processes and communication across the business. The implementation of our new **Housing Management System** (HMS), Customer Relationship Management capability, electronic document management and mobility software will enable us to serve more customers in a timely and efficient manner. We will introduce 'any day' direct debits and tenancies and ensure that the HMS better enables the tenant payment process.

Communication with and between our people will continue to be a priority in 2018 and will be supported by the implementation of a new web-based intranet service (Facebook Workplace) for staff and Board Members. Externally we will continue our work to redevelop the Rooftop **website and social channels** in support of our goal to reinforce our brand as a modern, social and dynamic business. A new stakeholder management approach will be developed in 2018.

Key activities

The principal activity of the Group is to provide housing accommodation at affordable rents for people in housing need. Rooftop Housing Group Limited is the parent company of the Group and the legal nature of each entity in the Group is disclosed in the Report of the Board. Rooftop Housing Association Limited provides an inter-company loan to Rooftop Homes Limited as disclosed in note 12 of the financial statements of Rooftop Housing Association Limited.

This core social housing lettings activity represents 93% of Rooftop's turnover (2017: 93%). The next most significant elements of the business are shared ownership sales (4% of turnover; 2017: 3%) and supporting people (2% of turnover; 2017: 2%). Other activities are negligible.

Financial performance

Rooftop Housing Group Limited

The overall financial performance for the year has remained strong with the Group generating a surplus for the year of £7.3 million. This is a reduction on the previous year (£7.9 million) but outperforms our budget for the year by £0.9 million. RHA, the Group's core social housing provider, remains the main contributor to the overall group surplus.

As an individual entity, RHG operates on the principle of cost recovery from its subsidiaries. It generates relatively modest surpluses to cover its tax liabilities and provide some working capital.

RHG's charges to subsidiaries for the year were £0.4 million lower than budget; this is due to staff and consultancy costs relating to the new Aareon QL housing management system, which were budgeted as revenue costs but have now been capitalised.

As a group, Rooftop has plans to develop 682 homes between April 2018 and March 2023, of which 678 are through RHA and four through RHL. Funding for these proposals is in place through existing revolving credit facilities and cash balances.

Rooftop's overall vision is to deliver a minimum of 1,000 homes in the same period. Major projects on group structure, funding and transformation during 2018/19 are intended to identify specific proposals on how Rooftop can deliver this greater ambition.

Rooftop Housing Association Limited

RHA, the Group's core social housing provider, generated a surplus before taxation of £7.3 million (2017: £7.4 million). This was a significant outperformance of RHA's budgeted surplus of £6.1 million.

An important contributor was the surplus from property disposals, which was £0.7 million higher than budget. This is mainly due to a significant volume of shared ownership staircasing activity, unprompted by Rooftop and exceeding the more modest activity seen in previous years. This shows shared ownership providing a successful pathway to full home ownership, as well as providing cash receipts for reinvestment in further new supply.

The next most significant factor was intercompany charges from the group parent, which were £0.6 million lower than budget. This is because some anticipated costs were capitalised by the parent, and intercompany charges have been rebalanced between the subsidiaries.

RHA's turnover from social housing lettings, its core income stream, rose by £0.4 million (1.2%). The Welfare Reform and Work Act 2016 requires RHA to reduce the majority of its rents by 1% a year for the four years 2016-20, which has had a significant impact on RHA's ability to grow its core income stream. The overall increase is due to the completion of new properties during the year, along with some exempt properties.

RHA's cash balance at year end was £19.1 million (2017: £17.4 million). This is a result of drawing funding from Nationwide in March, before the end of the availability period. RHA has also arranged £50 million of revolving credit facilities during 2017/18.

This will support a major new homes programme. Overall RHA has funded plans to complete 678 homes over the period from April 2018 to March 2023. The majority of these (466) will be homes for below market rent, but the planned programme also includes open market (49) and shared ownership sales (163). RHA will also deliver four gypsy and traveller pitches in Solihull and one commercial unit as part of a larger scheme in Gloucester. This represents a managed expansion of RHA's exposure to the cyclical risks of the English housing market.

RHA continues to place a priority on land banking activities, to ensure a smoother pipeline of development. RHA's land bank peaked at 206 units and contributed land for 137 homes into the development programme.

Rooftop Homes Limited

RHL, the Group's provider of keyworker accommodation, residential care, market and intermediate rent and garages, has generated a surplus of £0.2 million, a decrease on the previous year (£0.6 million). The main reasons for the decrease were:

- £0.2 million increased charges from the group parent
- £0.2 million movement in fair value of investment properties. An £85,000 reduction in 2017/2018 compared to a £134,000 gain in 2016/2017
- £0.1 million increase in void loss, mainly relating to the keyworker schemes at Shrewsbury Royal Hospital and Worcestershire Royal Hospital.

RHL's turnover fell by £0.4 million. This was mainly (£0.3 million) due to one-off income released from sinking funds at Worcestershire Royal Hospital in 2016/2017, offsetting additional expenditure on furniture. This was a one-off and did not continue in 2017/2018. The remaining £0.1 million fall in turnover is due to the increased voids at Shrewsbury Royal Hospital and Worcestershire Royal Hospital.

RHL's operations have been stable and there has been no change to its property portfolio. A key project for the Group in 2018/19 will be to review the Group structure and the role of RHL within it. The geographic spread of RHL's stock poses operational challenges, and RHL holds assets well outside Rooftop's normal core operating area of Worcestershire and Gloucestershire. RHL is actively reviewing its entire portfolio; in particular, RHL is pursuing a disposal of the schemes at Nuneaton and Biddulph.

Whilst RHL owns a broad range of stock types and locations, its main activity is keyworker accommodation, with three hospital sites collectively accounting for 71% of RHL's turnover in the year. The major contributor was Shrewsbury Royal Hospital (£1.0 million turnover, 38% of total), with Worcestershire Royal Hospital (£0.5 million, 17%) and Weston General Hospital (£0.4 million, 16% of total) also significant.

During 2017/18 RHL began construction of a small open market development of four homes in Broadway, Worcestershire, on the site of a disused garage court. The expected profits from the sales will create additional capacity within RHL. More importantly, the development is intended as a managed way of testing and developing Rooftop's skills in developing open market sales units, which is intended to be an important source of cross-subsidy for social housing in the future.

Rooftop Support and Care Limited

RS&C, the Group's specialist support provider for young and older people services, has made a deficit for the year of £0.2 million (2017: £0.1 million deficit).

This has been another challenging year for RS&C, with the full year effect of 2016's substantial cut in funding from Gloucestershire County Council. RS&C continued to seek new business and was successful in winning the Domestic Abuse support service contract from Worcestershire County Council during the year.

Overall turnover has fallen from £1.7 million to £1.6 million. Intra-group older people's service contracts with RHA made up 31% of RS&C's turnover during the year.

As planned, Rooftop reviewed its strategy for supported housing, and the role of RS&C within the Group, during 2017/18. The Board concluded that the services performed a valuable part of Rooftop's mission, and that this could be more effectively achieved by bringing those services into RHA, the group's main charitable arm. This would simplify the group structure and provide a firmer financial backing for these services.

Where necessary, consents from RHA's lenders were obtained and a transfer of activities and assets from RS&C to RHA took place on 3 April 2018.

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.

Last year's performance targets

Last year, we set 13 targets for the year. Results are given below. We have achieved eight of the targets.

New homes built (as a percentage of current stock) was based on us achieving 112 completions. This measure matches regulatory metric 2a. Our actual number of completions against this definition was 75. We also achieved practical completion on a further 35 homes, but these were not in management at year end as further work was required to communal areas, and four gypsy and traveller pitches.

Satisfaction with repairs and maintenance was below our target, based on surveys of a sample of all customers. Throughout the year, we have separately monitored satisfaction levels of customers who have actually had a recent repair and found satisfaction to be significantly higher, at 88%. Satisfaction with our services as a whole was 89.5%, just below our 90% target.

There is an overlap between our previous metrics and the new Sector Scorecard. We will be using the Sector Scorecard as our main performance framework in the future.

2017/18 targets	2016/17 result	2017/18 target	2017/18 result	Target achieved?
Overall satisfaction with services	92.1%	90.0%	89.5%	No
New homes built (as a percentage of current stock)	0.7%	1.6%	1.2%	No
Average energy efficiency rating of our homes (SAP)	71.5	71.7	72.7	Yes
Operating margin	44.7%	40.2%	41.1%	Yes
Housing management (cost per home)	£187	£205	£218	No
Major works and cyclical maintenance (cost per home)	£796	£977	£958	Yes
Responsive repairs and void works (cost per home)	£533	£542	£524	Yes
Estate services (cost per home)	£102	£113	£117	No
Overhead costs as a percentage of turnover	9.5%	11.6%	11.5%	Yes
Rent collected	99.6%	99.8%	99.9%	Yes
Average time to re-let empty social homes (days)	14.3	14.0	12.4	Yes
Satisfaction with repairs and maintenance	86.1%	87.0%	75.2%	No
Satisfaction with new homes	95.0%	97.0%	100.0%	Yes

Principal risks and uncertainties faced

Rooftop has a comprehensive and well-established risk management system, which allows risks to be identified for all parts of the business process. Risks are assessed, prioritised and control measures are implemented.

The increasing pace of internal and external business activity requires continuous review of business and project risks. During 2018/19 we will strengthen our internal control environment with better use of existing risk management tools and a better system to extract value from risk management activity.

The risk process is dynamic with risks being reviewed quarterly. Currently the following key business risks have been identified that could impact the achievement of business objectives.

Title	Description	Mitigation
Safety of Staff/Residents Safeguarding of staff/residents	Our number one objective is to develop and maintain a high level of safety both for employees and external partners who help deliver our services and to our customers and other stakeholders who receive those services.	Health and Safety is maintained by continuously improving embedded controls, review, swift corrective actions and monthly reporting.
Cost Sharing Vehicle	Cost Sharing arrangements with Fortis Living deliver Value Added Tax (VAT) savings on labour costs associated with both responsive and planned maintenance. These savings are now at risk due to HM Revenue & Customs (HMRC) reviews and the planned merger of Fortis and Waterloo.	HMRC's guidance is that existing cost sharing groups set-up by housing associations can continue for the time being. Options are being considered by the Board.
Ability to access new debt	Rooftop will have significant treasury needs to fund the ambitious development programme.	We have arranged £50 million funding during the year which is sufficient for our current programme. The securitisation process needs to be completed before this risk is fully mitigated; this was almost complete at year end.
Housing market sales exposure	Rooftop's development programme includes shared ownership sales and outright market sales. Rooftop recognises that this increases its exposure to the cycle of the housing market.	Rooftop has in place a risk appetite set by the Board to limit maximum exposure, a marketing strategy to ensure sales are achieved as planned, early warning indicators to assess changes in the market and contingency in place to protect social assets if the risk materialises.
Debt refinancing	Financing put in place to fund development requires periodic refinancing in both RHA and RHL. Our ability to refinance will be dependent upon our credit standing and the state of the financial markets at the time.	Rooftop has in place a risk appetite set by the Board to limit maximum exposure and monitors exposure monthly. Current exposure is significantly below the risk appetite.
Regulatory downgrade: Governance Financial viability	Rooftop received an In-Depth Assessment from the Regulator of Social Housing in January 2016. This confirmed Rooftop's top ratings for governance and financial viability (G1/V1).	The Board considers it to be a priority to retain these G1/V1 ratings in the future and is continually enhancing governance, risk and compliance.

Differential inflation	Social rents will not be re-linked to Consumer Price Inflation (CPI) until 2020. Any increase in underlying inflation has the potential to erode net income and hinder the achievement of the financial business plan.	Value for money initiatives have been incorporated into the budget and business plan and these are monitored to ensure good cost control. Rooftop has carried out multi-variate stress testing which includes the effects of inflation and has a defensive plan which can be enacted in the event of unforeseen costs.
Welfare reform – loss of income	The Welfare Reform and Work Act is expected to pose significant challenges through the implementation of Universal Credit.	Rooftop is a member of a welfare reform group, has a dedicated income team and has delivered training to staff. Customer profiles have been updated, we have dedicated money advice and job coaches to help people off benefits and Neighbourhood Officers have smaller patches and closer knowledge of residents.
Projects	A significant proportion of Rooftop's plan is to be delivered via special projects with associated delivery, cost and scope risks.	Key projects will only commence following the approval of an investment paper. Key deliverables and milestones will be tracked by a project control group, financial monitoring and risk management.

By order of the Board

N. A. Inchbald,

Nicola Inchbald
Chair
18 July 2018

Independent auditor's report to the members of Rooftop Housing Group Limited

Opinion

We have audited the financial statements of Rooftop Housing Group Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board Members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic report and the Report of the Board and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Board have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Board Members responsibilities statement set out on page 2, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

26 July 2018

BDO LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	**37,636**	37,410
Operating costs	2	**(22,162)**	(20,687)
Operating surplus	2	**15,474**	16,723
Surplus on disposal of property, plant and equipment	4	**975**	431
Interest receivable	8	**61**	107
Interest and financing costs	9	**(9,030)**	(9,351)
Movement in the fair value of financial instruments	25	**12**	23
Movement in the fair value of investment properties	12	**(84)**	143
Surplus before taxation	7	**7,408**	8,076
Taxation	10	**(94)**	(156)
Surplus for the year		**7,314**	7,920
Total comprehensive income for the year		**7,314**	7,920

The notes on pages 30 to 56 form part of these financial statements.

Association Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	**7,948**	7,388
Operating costs	2	**(7,911)**	(7,380)
Operating surplus	2	**37**	8
Interest receivable	8	**1**	3
Surplus before tax	7	**38**	11
Taxation	10	**(13)**	1
Surplus/(deficit) for the year		**25**	12
Total comprehensive income for the year		**25**	12

The notes on pages 30 to 56 form part of these financial statements.

Consolidated Statement of Financial Position
At 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	11	**519**	86
Housing properties	12	**313,967**	298,067
Investment properties	12	**3,633**	3,717
Other property, plant and equipment	12	**477**	77
		318,596	301,947
Current assets			
Inventories		**9**	9
Properties held for sale		**3,060**	1,524
Debtors receivable in one year	13	**5,606**	3,182
Cash	14	**20,528**	20,200
		29,203	24,915
Creditors: Amounts falling due within one year	15	**(20,715)**	(18,588)
Net current assets		**8,488**	6,327
Total assets less current liabilities		**327,084**	308,274
Creditors: Amounts falling due after more than one year	16	**(263,475)**	(251,946)
Provision for liabilities and charges	17	**(62)**	(95)
Net assets		**63,547**	56,233
Capital and reserves			
Called-up share capital	18	**-**	-
Revenue reserve		**63,547**	56,233
Total reserves		**63,547**	56,233

The notes on pages 30 to 56 form part of these financial statements.

The financial statements were approved by the Board on 18 July 2018 and were signed on its behalf by:

Secretary **Board Member** **Board Member**

Association Statement of Financial Position
At 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	11	**519**	86
Other property, plant and equipment	12	**477**	77
		996	163
Current assets			
Inventories		**9**	9
Debtors receivable in one year	13	**382**	124
Cash	14	**454**	1,261
		845	1,394
Creditors: Amounts falling due within one year	15	**(1,445)**	(1,192)
Net current assets		**(600)**	202
Total assets less current liabilities		**396**	365
Creditors: Amounts falling due after more than one year	16	**-**	-
Provision for liabilities	17	**-**	6
Net assets		**396**	371
Capital and reserves			
Share capital	18	**-**	-
Revenue reserve		**396**	371
Total reserves		**396**	371

The notes on pages 30 to 56 form part of these financial statements.

The financial statements were approved by the Board on 18 July 2018 and were signed on its behalf by:

Secretary	**Board Member**	**Board Member**
	M. A. Archibald	

Consolidated Statement of Changes in Reserves
For the year ended 31 March 2018

	Revenue reserve	Total
	£'000	**£'000**
Balance as at 1 April 2016	48,313	48,313
Surplus for the year	7,920	7,920
Balance at 31 March 2017	56,233	56,233
Surplus for the year	7,314	7,314
At 31 March 2018	**63,547**	**63,547**

The notes on pages 30 to 56 form part of these financial statements.

Association Statement of Changes in Reserves
For the year ended 31 March 2018

	Revenue reserve	Total
	£'000	£'000
Balance as at 1 April 2016	359	359
Surplus for the year	12	12
Balance at 31 March 2017	371	371
Surplus for the year	25	25
At 31 March 2018	**396**	**396**

The notes on pages 30 to 56 form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	26	**16,959**	19,535
Cash flows from investing activities			
Purchase of fixed assets		**(22,459)**	(16,767)
Proceeds from sale of property, plant and equipment		**1,526**	1,005
Grants received		**2,331**	2,698
Interest received		**62**	107
Net cash flows from investing activities		**(18,540)**	(12,957)
Cash flows from financing activities			
Interest paid		**(9,036)**	(9,351)
New loans		**12,241**	500
Repayments of borrowings		**(1,296)**	(2,272)
Net cash flows from financing activities		**1,909**	(11,123)
Net increase in cash and cash equivalents		**328**	(4,545)
Cash and cash equivalents at beginning of year		**20,200**	24,745
Cash and cash equivalents at end of year		**20,528**	20,200

The notes on pages 30 to 56 form part of these financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice). This includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity.

Group accounts

The consolidated financial statements for Rooftop Housing Group Limited incorporate the financial statements of Rooftop Housing Association Limited, Rooftop Homes Limited, Rooftop Support and Care Limited and Rooftop Management Limited. These entities are all subsidiaries within the meaning of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Localism Act 2011.

Year end

The group's ordinary year end date is 31 March.

Going concern

The financial statements will be prepared on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

After making enquiries and reviewing the financial plan, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rental and service charge income, fees, grants receivable and disposal proceeds of shared ownership first tranche sales. Turnover for RHG as parent represents charges to the subsidiaries.

Proceeds from the first tranche disposals of shared ownership properties are accounted for in turnover in the Statement of Comprehensive Income in the period in which the disposal occurs. The cost of sales includes the incidental costs of executing the sale and a proportion of the overall costs of the property determined by the percentage of the property sold under the first tranche sale. The cost of sale is adjusted, where necessary, to ensure the surplus on sale is restricted to the overall surplus on the scheme.

Service charges

The Group operates variable and fixed service charges depending on the requirements of the respective tenancy agreements. Where the charge is variable an assessment is made of whether costs have been over or under recovered and an appropriate prepayment or accrual provided for in the accounts.

Right to buy income and sales

Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are disclosed on the face of the Statement of Comprehensive Income after the operating result and before interest. On the occurrence of a sale a relevant proportion of the proceeds are clawed back by Wychavon District Council. The surplus or deficit is calculated by comparing the net proceeds received by the Group with the carrying value of the property sold.

Shared ownership properties

Shared ownership properties under construction are proportionally split between current and fixed assets, determined by the percentage of the properties to be sold under the first tranche sales.

Housing Properties

Housing properties including shared ownership properties are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of the properties is their purchase price together with improvement costs and incidental costs of acquisition, including capitalised interest and development administration.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

General Needs	100 years
Sheltered and Supported	100 years
Non-traditional	15 years
Garages	25 years
Leasehold property	Over life of the lease
Shared ownership	100 years

Component Accounting

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Roofs	75 years
Windows	40 years
Doors	40 years
Boilers	15 years
Kitchens	20 years
Bathrooms	30 years
Heating	30 years
Electrics	30 years
Lifts	30 years

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred into housing properties when completed.

Land donated, or acquired below market value is included in cost at its valuation, with the donation treated as a capital grant when it relates to a specific project.

The market rent properties are investment properties in accordance with FRS 102 and are not depreciated but are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Impairment

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell.

Other fixed assets and depreciation

Tangible fixed assets other than Housing Properties are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of those assets at the following annual rates:

Office furniture	25%
Office equipment	20%-33%
IT networking	10%
Computer equipment	20%-33%
Leasehold improvements	Over life of the lease

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

Intangible assets

Intangible assets are stated at historic cost less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Computer software – five years

Social Housing Grant (SHG) and other Government Grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to assets are recognised in income using the accrual model on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised.

Recycling of Capital Grant

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

Capitalisation of interest

Interest on the loan financing a development is capitalised from the date of purchase of land or property and/or the start on site up to the date of practical completion. The amount takes into account interest earned on SHG received in advance. No interest is capitalised on land purchased for future developments.

Supported housing schemes managed by agents

The Group owns a number of schemes that are run by specialist agencies. The agents carry the financial risk from operating the scheme and, therefore, the Statement of Comprehensive Income only includes the income and expenditure that relates solely to the Group. Any other income and expenditure related to the scheme is excluded from the statement of comprehensive income.

Investments

Any investment by one Group member to another is shown at historical cost.

Major and cyclical repairs and maintenance

The Group only capitalises major repairs expenditure on housing properties where it increases the net rental stream by:

- extending its useful economic life or
- the improvement enables a higher rental income to be charged

All other major repairs expenditure is charged to the statement of comprehensive income as incurred.

Provisions

The Group only provides for contractual and constructive liabilities where it has a present obligation to transfer economic benefits as a result of past events, it is probable that a transfer of economic benefit will result and a reliable estimate can be made of the amount of the obligation.

Pension Costs

The Group has traditionally operated two defined benefit pension schemes, contracted out of the state scheme. These were closed from April 2014. The Group also operated two money purchase defined contribution schemes and a career average revalued earnings defined benefit scheme (CARE), but from April 2014 the Group only operates one defined contribution scheme. Contributions to pension schemes are determined in accordance with actuarial advice and calculated as a percentage of pensionable salaries.

For the defined contribution scheme the amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year. This is charged to RHG and apportioned to subsidiaries via the Group Membership Agreement.

For the closed defined benefit schemes there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded. This liability is recognised in the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Leased assets

Rentals paid under operating leases are charged to the statement of comprehensive income in the period to which they relate. There are no finance leases.

Value Added Tax (VAT)

The Group is VAT registered but the majority of its income, being housing rents, and right to buy sales, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is deducted from lettings expenditure. From October 2013 RHA, RHL and RS&C became members of a cost sharing group which provides property repair services to the Group.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 102.

Deferred tax is not provided for in respect of gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over, or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

Financial Instruments

Basic financial instruments which meet the necessary conditions of FRS 102 are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method with interest charges recognised as an expense in the Statement of Comprehensive Income. Financial Instruments classified as non-basic are measured at fair value at the end of each reporting period with gains and losses arising from year to year being recognised in the Statement of Comprehensive Income.

Service charge sinking funds

Unutilised contributions to service charge sinking funds are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund.

Bad Debt Provision

Former tenant arrears are provided for in full in the bad debt provision. Current tenant arrears are provided for on a percentage basis based on the age of the debt.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and labilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to account estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Management have also considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment.

Development expenditure

The Group capitalises development expenditure in accordance with the stated accounting policy. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of non-basic financial instruments. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual price that would be achievable in an arm's length transaction at the reporting date.

Pension costs

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

2. Particulars of Group turnover, operating costs & operating surplus

	2018			2017		
	Turnover	**Operating costs**	**Operating surplus/ (deficit)**	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Group						
Social housing lettings	**34,974**	**(18,654)**	**16,320**	34,966	(17,883)	17,084
Other social housing activities						
Shared ownership sales	**1,422**	**(1,198)**	**224**	1,119	(917)	202
Supporting People	**683**	**(1,272)**	**(589)**	774	(1,279)	(505)
Other	**60**	**(879)**	**(819)**	59	(502)	(443)
Total	**2,165**	**(3,349)**	**(1,184)**	1,928	(2,741)	(813)
Activities other than social housing	**497**	**(159)**	**338**	493	(106)	388
Total	**37,636**	**(22,162)**	**15,474**	37,411	(20,687)	16,723
Association						
Other social housing activities						
Other	**7,948**	**(7,911)**	**37**	7,388	(7,380)	8
Total	**7,948**	**(7,911)**	**37**	7,388	(7,380)	8

3. Income and expenditure from social housing lettings

	General Needs	Supported Housing	Other	Total
Group 2018	**£'000**	**£'000**	**£'000**	**£'000**
Rent receivable net of identifiable service charges	**26,935**	**3,305**	**339**	**30,579**
Amortised government grant	**450**	**172**	**-**	**622**
Service charge income	**3,156**	**617**	**-**	**3,774**
Turnover from social housing lettings	**30,541**	**4,094**	**339**	**34,974**
Management	**3,586**	**725**	**85**	**4,396**
Services	**1,681**	**1,669**	**18**	**3,368**
Routine maintenance	**3,665**	**932**	**56**	**4,653**
Planned maintenance	**1,426**	**212**	**8**	**1,646**
Rent losses from bad debts	**121**	**37**	**3**	**161**
Depreciation of housing properties	**4,398**	**2**	**29**	**4,429**
Operating costs on social housing lettings	**14,877**	**3,578**	**199**	**18,654**
Operating surplus on social housing lettings	**15,664**	**516**	**140**	**16,320**
Rent losses from voids	**(232)**	**(121)**	**(160)**	**(513)**

Group 2017				
Rent receivable net of identifiable service charges	26,747	3,287	354	30,387
Amortised government grant	458	151	-	609
Service charge income	1,286	2,684	-	3,970
Turnover from social housing lettings	28,491	6,122	354	34,966
Management	2,922	662	48	3,631
Services	2,010	1,810	15	3,836
Routine maintenance	3,841	811	30	4,682
Planned maintenance	1,429	14	6	1,449
Rent losses from bad debts	105	72	2	179
Depreciation of housing properties	3,404	673	29	4,105
Operating costs on social housing lettings	13,712	4,041	130	17,883
Operating surplus on social housing lettings	14,779	2,081	224	17,084
Rent losses from voids	(36)	404	(5)	364

4. Sale of housing accommodation

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Sale of housing properties				
Receipts from sale of housing properties	**1,527**	1,005	-	-
Book value of properties sold	**(502)**	(506)	-	-
Other operating costs and costs of disposal	**(50)**	(68)	-	-
Surplus on sale of properties	**975**	431	-	-

5. Directors' emoluments and expenses

The directors are defined as the members of the Board and the executive officers as given on page 1. Board Member allowances paid during the year total £63,770 (2017: £73,915) which equates to 0.2% of turnover (2017: 0.2%).

RHG Board Member allowances were as follows:

	£
C Jones	6,390
K Hard	2,322
M Robson	4,135
H Hobart	4,498
K Rolfe	4,135
P Kellard	4,135
S Kettley	4,135
N Inchbald	11,367
R Lathan	8,001
E Wilson	1,872
R Richmond	6,390
M Holland	6,390
	63,770

The emoluments of the executive officers were as follows:

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Salaries and taxable benefits	**545**	567	**545**	567
Pension contributions	**55**	63	**55**	63
	600	630	**600**	630

The total amount of severance payments made in the year to executive officers was £0 (2017: £0).

The emoluments of the highest paid director were as follows:	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Emoluments excluding pension – I Hughes (to 31 Jan 2017)	**-**	131	**-**	131
Emoluments excluding pension – B Worrall (from 1 Feb 2017)	**132**	21	**132**	21

The Group Chief Executive is an ordinary member of the Social Housing Pension defined contribution scheme.

Directors' emoluments (excluding pension contributions) fell within the ranges:

	2018	2017
	Number	Number
£20,001 - £25,000	**1**	1
£25,001- £30,000	**1**	-
£40,001 - £45,000	**1**	-
£95,001 - £100,000	**-**	1
£100,001 - £105,000	**1**	-
£105,001 - £110,000	**2**	3
£130,001 - £135,000	**1**	1

Staff emoluments (excluding pension contributions) in excess of £60,000 fell within the ranges:

	2018	2017
	Number	Number
£60,001 - £70,000	**-**	2
£70,001- £80,000	**1**	-

6. Employee information

The number of full-time equivalents (FTE 35 hour week) was:	Group		Association	
	2018	2017	**2018**	2017
	Number	Number	**Number**	Number
	FTE	FTE	**FTE**	FTE
Housing, support and care	**106.55**	108.43	**106.55**	108.43
Administration and development	**51.34**	53.23	**51.34**	53.23
Total at 31 March	**157.89**	161.66	**157.89**	161.66
Staff costs (for the above persons):	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**4,837**	4,540	**4,837**	4,540
Social security costs	**485**	446	**485**	446
Pension costs	**481**	424	**481**	387
Total	**5,803**	5,410	**5,803**	5,373

The total amount of severance and redundancy payments made in the year was £131,476, (2017: £43,281). The pension costs include the SHPS re-measurement, the details of which are disclosed in Note 20.

7. Surplus before taxation

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
The surplus before taxation is stated after charging:				
Depreciation	**4,132**	4,182	**116**	43
Amortisation of intangible assets	**258**	51	**258**	51
External auditor's remuneration (excluding value added tax)				
- in their capacity as auditor	**23**	22	**4**	4
- in respect of other services	**5**	3	**-**	-
Operating lease rentals – other	**-**	27	**-**	27
Operating lease rentals – land and buildings	**92**	92	**92**	92

8. Interest receivable

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
From banks	**61**	107	**1**	3
Total	**61**	107	**1**	3

9. Interest and financing costs

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**9,594**	9,658	**-**	-
Net interest on pension liability	**9**	16	**-**	-
Less: interest capitalised	**(573)**	(323)	**-**	-
Total	**9,030**	9,351	**-**	-

The rate used to calculate capitalised interest was 4.6% (2017: 4.7%) being the average rate of borrowing.

10. Taxation - group

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on surplus for the year	127	176
Adjustment in respect of previous periods	-	(4)
Total current tax	127	172
Deferred tax:		
Origination and reversal of timing differences	(26)	(9)
Effect of changes in tax rate on opening liability	(7)	(7)
Total deferred tax	(33)	(16)
Tax on surplus on ordinary activities	94	156

Factors affecting tax charge for the year

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK as explained below:

Surplus on ordinary activities before tax	7,773	8,076
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK	1,478	1,615
Effects of:		
Fixed asset differences	31	30
Adjust deferred tax rate to average rate	3	(4)
Capital losses chargeable for the year	(18)	9
Income not taxable for tax purposes	0	(27)
Charity income - not taxable	(1,402)	(1,463)
Expenses not deductible for tax purposes	9	-
Adjustment in respect of previous periods	(7)	(4)
Timing differences not recognised	-	-
Total tax charge for the year	94	156

10. Taxation - association

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on surplus for the year	7	3
Adjustment in respect of previous periods	-	(4)
Total current tax	7	(1)
Deferred tax:		
Origination and reversal of timing differences	6	-
Effect of changes in tax rate on opening liability	-	-
Total deferred tax	6	-
Tax on surplus on ordinary activities	13	(1)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK as explained below:

	2018	2017
Surplus on ordinary activities before tax	38	11
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%) (2017: 20%)	8	2
Effects of:		
Expenses not deductible for tax purposes	2	-
Adjust deferred tax rate to average rate	(1)	1
Fixed Asset differences	4	-
Timing differences not recognised	-	-
Adjustment in respect of previous periods	-	(4)
Total tax charge for the year	13	(1)

11. Intangible assets – group and association

	Software	Total
	£'000	£'000
Cost		
At 1 April 2017	1,008	1,008
Additions	629	629
Disposals	-	-
As at 31 March 2018	**1,637**	**1,637**
Amortisation		
At 1 April 2017	922	922
Charge for the year	258	258
Eliminated on disposals	(62)	(62)
As at 31 March 2018	**1,118**	**1,118**
Net book value		
As at 31 March 2018	**519**	**519**
As at 31 March 2017	86	86

12. Tangible fixed assets

Housing properties & land – group

Housing properties & Investment Properties	Freehold Land	Housing Properties for Lettings	Shared Ownership	Investment Properties	Shared Ownership Under Construction	Housing Properties Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2017	2,535	307,579	13,538	3,717	913	11,765	340,047
Works to existing properties	-	2,419	-	-	-	-	2,419
Additions	1,600	129	168	-	2,175	14,800	18,872
Disposals	-	(493)	(689)	-	-	-	(1,182)
Transfer between categories	-	8,141	487	-	(356)	(8,272)	-
Revaluation	-	-	-	(84)	-	-	(84)
At 31 March 2018	**4,135**	**317,775**	**13,504**	**3,633**	**2,732**	**18,293**	**360,072**
Depreciation							
At 1 April 2017	-	37,707	556	-	-	-	38,263
Charge for year	-	4,318	87	-	-	-	4,405
Transfer between categories	-	(8)	8	-	-	-	-
Disposals	-	(196)	-	-	-	-	(196)
At 31 March 2018	**-**	**41,821**	**651**	**-**	**-**	**-**	**42,472**
Net book value at 31 March 2018	**4,135**	**275,954**	**12,853**	**3,633**	**2,732**	**18,293**	**317,600**
Net book value at 31 March 2017	2,535	269,872	12,982	3,717	913	11,765	301,784
Cost or valuation represented by:							
Gross cost	4,135	317,775	13,504	2,449	2,732	18,293	358,889
Revaluation	-	-	-	1,184	-	-	1,184
Total	**4,135**	**317,775**	**13,504**	**3,633**	**2,732**	**18,293**	**360,072**

12. Tangible fixed assets (continued)

Property, plant and equipment - other – group and association

	Office furniture and equipment	Computer equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	739	674	1,413
Additions	416	123	539
Disposals	(23)	-	(23)
At 31 March 2018	**1,132**	**797**	**1,929**
Depreciation			
At 1 April 2017	688	648	1,336
Disposals	-	-	-
Charge for year	116	-	116
At 31 March 2018	**804**	**648**	**1,452**
Net book value at 31 March 2018	**328**	**149**	**477**
Net book value at 31 March 2017	51	26	77

Investment properties, which are all freehold, were valued to fair value at 31 March 2018 based on a valuation undertaken by Savills, Chartered Surveyors. Housing properties for lettings and shared ownership properties are accounted for at historic cost but have been valued for funders' purposes as follows:

Completed housing properties of the subsidiary undertaking, RHA, were valued as at 31 March 2018 on the basis of existing use value - social housing (EUV - SH). The existing use value for social housing assesses the dwellings on the basis that they would be managed and owned by an organisation committed to the provision of rented accommodation let at an affordable rent, and that the vacant units would be re-let on similar terms rather than sold into the open market.

Savills, Chartered Surveyors, carried out the EUV - SH valuation in accordance with the RICS Valuation – Professional Standards manual and takes into account the performance standards for Registered Providers published by the Homes and Communities Agency.

The EUV - SH valuation method discounts the cash flows from rental and other income less management, maintenance and repair expenditure to their present value. The main assumptions used were:

• Discount rate	5.5% - 6.25% (real)
• Annual growth in income/expenditure	1.0% (real) long term
• Property sales	Forecasts of right-to-buy sales are based on analysis, past experience and current trends.

RHL's housing properties have been valued for funders' purposes on the basis of market value, subject to leases and tenancies (as appropriate). This assumes that: in the case of the private rented stock that properties could be sold on the open market with vacant possession following termination of the assured shorthold tenancies; in the case of the keyworker properties and care home the capitalised net income arising from the various lease arrangements; and the garages on the basis of capitalised net income assuming continued existing use. The garages valuation also takes into account the redevelopment potential at a number of sites. The total value of all the RHL properties for funders' purposes is £30.3 million. The net book value of social housing properties held on a long lease is £2.0 million (2017: £2.0 million).

12. Tangible fixed assets (continued)

Varying assumptions such as discount rate have been used reflecting the characteristics and methodology applicable in each case.

Total expenditure on works to existing properties:

	2018	2017
	£'000	£'000
Amounts capitalised:		
Replacement of components	2,419	2,239
Improvements	-	29
	2,419	2,268
Amounts charged to the statement of comprehensive income	1,638	1,449
	4,057	3,717

Shared ownership properties

Shared ownership properties both completed and under construction are proportionally split between current and fixed assets, determined by the percentage of the properties to be sold under the first tranche sales. The amount held in current assets for completed shared ownership properties is £269,741 and the amount held in current assets for shared ownership properties under construction is £2,376,115.

Properties under construction for outright sale total £98,064 and are shown in current assets.

13. Debtors

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Amounts receivable within one year				
Rents and service charges	**2,253**	2,310	**-**	-
Less: provision for doubtful debts	**(626)**	(598)	**-**	-
	1,627	1,712	**-**	-
Social housing grant receivable	**1,960**	996	**-**	-
Amounts due from subsidiaries	**-**	-	**196**	13
Other debtors	**1,189**	187	**31**	17
Corporation tax	**-**	-	**-**	-
Prepayments and accrued income	**830**	287	**155**	94
Total	**5,606**	3,182	**382**	124

14. Cash at bank and in-hand

There were no specific charges on RHG's cash at bank and in-hand at 31 March 2018 or 31 March 2017.

15. Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Housing loan repayable in one year	**4,286**	4,269	**-**	-
Recycled capital grant fund	**127**	12	**-**	-
Government grant	**7,559**	4,703	**-**	-
Trade creditors	**4,212**	2,354	**468**	128
Right-to-buy sale proceeds due to Wychavon District Council	**188**	520	**-**	-
Accruals in respect of repairs	**308**	257	**-**	-
Amounts payable on housing development and major repairs	**833**	1,275	**-**	-
Interest payable	**672**	627	**-**	-
Corporation tax	**40**	22	**6**	3
Other taxation and social security	**171**	134	**126**	108
Pension scheme contractual liability (note 20)	**120**	115	**-**	-
Amounts due to subsidiaries	**-**	-	**500**	475
Other accruals	**2,199**	4,300	**345**	478
Total	**20,715**	18,588	**1,445**	1,192

16. Creditors: amounts falling due after more than one year

	Group		Association	
	2018	2017	**2018**	2017
Housing loans	**£'000**	£'000	**£'000**	£'000
Repayable between one and two years	**9,004**	4,306	-	-
Repayable between two and five years	**17,679**	15,743	-	-
Repayable, otherwise than by instalments, in five years or more	**184,433**	179,130	-	-
Total loans repayable	**211,116**	199,179	-	-
Pension scheme contractual liability (note 20)	**530**	649	-	-
Government grants	**51,829**	52,118	-	-
Total	**263,475**	251,946	-	-

Housing loans are secured by specific charges on certain of the Group's housing properties and by a floating charge over the remaining assets. The interest rates are fixed between 3.9% and 6.6% or vary with market rates. Of the agreed facility, £215.8 million (2017: £204.4 million) has been drawn down by the Group to date. The total loan facility at 31 March 2018 is £303.5 million and the final loan is due for repayment by 2040.

	2018	2017
Deferred income – Government grants - group	**£'000**	£'000
At 1 April	**56,821**	54,064
Grants receivable net of disposals	**3,192**	3,366
Amortisation to statement of comprehensive income	**(623)**	(609)
At 31 March	**59,390**	56,821
Due within one year	**7,561**	4,703
Due after one year	**51,829**	52,118

17. Provisions for liabilities and charges

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Deferred taxation				
At 1 April	**95**	111	**(6)**	(6)
Charge for the year	**(33)**	(16)	**6**	-
At 31 March	**62**	95	**-**	(6)
The deferred taxation provision comprises:				
Accelerated capital allowances	**59**	74	**-**	(1)
Other timing differences	**3**	21	**-**	(5)
At 31 March	**62**	95	**-**	(6)

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 102.

18. Share capital

	Group		Association	
	2018	2017	**2018**	2017
	£	£	**£**	£
Shares of £1 each issued and fully paid				
At 1 April	**39**	43	**12**	12
Issued during the year	**-**	3	**-**	-
Cancelled during the year	**(3)**	(7)	**(2)**	-
At 31 March	**36**	39	**10**	12

The share capital of RHG consists of shares with a nominal value of £1, each of which carries no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member that person's share is cancelled and the amount paid by them then becomes the property of RHG. Therefore, all shareholdings relate to non-equity interests and there are no equity interests in RHG. Subsidiaries and RHG Board Members may be admitted as shareholders in accordance with policies. The group does not have any reserves in equity other than the revenue reserve.

19. Capital commitments - group

	2018	2017
	£'000	£'000
Capital expenditure contracted for in respect of development expenditure but not provided for in the financial statements	33,244	39,030
Capital expenditure authorised by the Board but not contracted for in respect of development expenditure	51,444	78,601
Total	**84,688**	117,631
The Group expects to finance the above expenditure by:		
Social Housing Grant receivable	12,729	13,338
Property sales proceeds	31,342	33,270
Use of cash surplus plus loan funding	40,618	71,023
Total	**84,689**	117,631

The contracted capital expenditure commitment is based on all developments currently on site. The commitment for capital expenditure authorised but not contracted for is based on all the remaining approved development schemes that are in the business plan. The loan funding available to fund the above expenditure is made up of the current cash surplus, the unused facility including the £25 million agreed with Santander in May 2017 and a further £25 million facility agreed in September 2017.

20. Pension obligations

The Group has traditionally operated two defined benefit pension schemes, contracted out of the state scheme. These were closed from April 2014. The Group also operated two money purchase defined contribution schemes and a career average revalued earnings defined benefit scheme (CARE), but from April 2014 the Group only operates one defined contribution scheme. Contributions to pension schemes are determined in accordance with actuarial advice and calculated as a percentage of pensionable salaries.

For the defined contribution scheme the amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year which total £365,203 (2017: £387,434). This is charged to RHG and apportioned to subsidiaries via the Group Membership Agreement.

For the closed SHPS defined benefit schemes there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded. This liability is recognised in the RHA Statement of Financial Position and the resulting expense in the RHA Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Rooftop Housing Group participates in The Pension Trust – Social Housing Pension scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Present value of provision

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	650	764	838

20. Pension obligations (continued)

Reconciliation of opening and closing provisions

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Provision at start of period	764	838
Unwinding of the discount factor (interest expense)	9	16
Deficit contribution paid	(115)	(110)
Remeasurements - impact of any change in assumptions	(8)	20
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	650	764

Statement of Comprehensive Income impact

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	9	16
Remeasurements – impact of any change in assumptions	(8)	20
Remeasurements – amendments to the contribution schedule		-

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

21. Legislative provisions

RHG is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008.

22. Related party transactions

Transactions with tenant Board Members are at arms length on normal commercial terms and they cannot use their position to their advantage. Rent charged to Board Members in the year was £16,135 (2017: £16,164) and the arrears at 31 March 2018 were £511 (2017: £0).

The compensation of Directors and Board Members is disclosed in Note 5.

Intra-group management fees are receivable by RHG from subsidiaries to cover the running costs incurred on behalf of managing the subsidiaries. The management fee is calculated on an individual entity basis with varying methods of allocation. The management fees charged to the subsidiaries were: £6,086,615 (2017: £5,705,227) to RHA, £516,371 (2017: £267,806) to RHL and £1,284,751 (2017: £1,355,812) to RS&C.

In August 2012 RHA became the sole corporate trustee of the Walker Hospital Trust. The Walker Hospital Trust is a charity which owns three properties and is a member of the National Association of Almshouses.

From October 2013 RHA, RHL and RS&C became shareholders in Fortis Property Care Limited which provides property services to the Group including responsive repairs, planned maintenance, grounds maintenance and gas servicing. The services are provided at cost and the amount charged to RHA during the year was £6,259,659 (2017: £5,911,600) and the balance owing at 31 March 2018 was £285,258 (2017: £0). The amount charged to RHL during the year was £73,285 (2017: £40,106) and the balance owing at 31 March 2017 was £23,544 (2017: £0). The amount charged to RS&C during the year was £36,369 (2017: £17,150) and the balance owing at 31 March 2017 was £1,839 (2017: £0). As a result of this arrangement, the Finance Director of RHG is a Director of Fortis Property Care Limited.

The Group is a shareholding member of Worcestershire Telecare, a Co-operative and Community Benefit Society. The Organisation's core purpose is to provide community alarms and related services to people with support needs. RHG paid Worcestershire Telecare £53,848 in 17/18 and £59,190 in 16/17 for alarm monitoring services.

23. Units

	Owned and managed	Managed by others	2018 Total	2017 Total
Under development at the end of the year				
Units for rent	320	-	320	353
Units for sale	8	-	8	-
	328	**-**	**328**	353
Under management at the end of the year				
General needs housing	**4,834**	**-**	**4,834**	4,770
Supported housing and housing for older people	**653**	**82**	**735**	738
Intermediate rent	**21**	**-**	**21**	22
Keyworker accommodation	**221**	**123**	**344**	343
Keyworker office accommodation	**32**	**-**	**32**	32
Leasehold properties	**162**	**-**	**162**	164
Low cost home ownership accommodation	**233**	**-**	**233**	234
Managed on behalf of another landlord	**51**	**-**	**51**	47
Units for rent	**6,207**	**205**	**6,412**	6,350
Total units social housing	**6,535**	**205**	**6,740**	6,703
Market renting	**49**	**-**	**49**	49
Residential care homes	**-**	**46**	**46**	46
Total units non-social housing	**49**	**46**	**95**	95
Total units for rent	**6,584**	**251**	**6,835**	6,798
Retained freeholds and estate charges	**287**	**-**	**287**	281

24. Contingent liabilities and financial commitments

As part of the transfer agreement with Wychavon District Council, Rooftop Housing Association Limited provided various indemnities to the Council in respect of obligations the association assumed upon the transfer.

In the view of the Board there is little likelihood of any liability arising in respect of these indemnities and accordingly no provision is reflected in these financial statements.

Total future minimum lease payments under non-cancellable operating leases are as follows :	**Group**		**Association**	
	2018	2017	**2018**	2017
Payments due :	**£'000**	£'000	**£'000**	£'000
- within one year	**92**	119	**92**	119
- between one and five years	**230**	322	**230**	322
- after five years	**-**	-	**-**	-
	322	441	**322**	441

25. Financial Instruments

The carrying values of the financial assets and liabilities are summarised by category below:

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Financial assets				
Measured at undiscounted amount receivable:				
Rent arrears and other debtors (see note 13)	**4,698**	2,895	**31**	17
Cash	**20,528**	20,200	**454**	1,261
Amounts due from related undertakings (see note 13)	**-**	-	**-**	13
	25,226	23,095	**485**	1,291
Financial liabilities				
Measured at fair value through surplus or deficit:				
Loans payable (see note 15,16)	**18,000**	18,012	**-**	-
Measured at amortised cost:				
Loans payable (see note 15,16)	**188,398**	185,436	**-**	-
Measured at undiscounted amount payable: Accrued Income	**123**	-	**-**	-
Other accruals	**2,199**	4,300	**-**	478
Trade and other creditors (see note 15,16)	**5,415**	4,450	**540**	239
Amounts owed to related undertakings (see note 15,16)	**-**	-	**500**	475
	214,135	212,198	**1,040**	1,192
Fair value gains and (losses)				
On housing loans measured at fair value through Statement of Comprehensive Income	**12**	23	**-**	-

Loans with Lenders Options are classified as non-basic financial instruments and total £18,000,000 (2017: £18,012,000). They are measured at fair value at the end of each reporting period with gains and losses arising from year to year being recognised in the Statement of Comprehensive Income.

The prior year figures have been restated to include the Bad Debt provision and other accruals.

26. Statement of Cash Flows

	2018	2017
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	**7,314**	7,920
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	**4,188**	4,182
Amortisation of intangible assets	**140**	51
(Increase) in inventories	**0**	(3)
(Decrease) / increase in debtors	**1,561**	(297)
(Increase) in creditors	**(3,951)**	(440)
(Decrease) / increase in provisions	**46**	(16)
Carrying amount of property, plant and equipment disposals	**739**	674
(Increase) in fair value of financial instruments	**12**	(23)
(Increase) in fair value of investment property	**84**	(143)
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	**(1,526)**	(1,005)
Government grants utilised in the year	**(622)**	(609)
Interest payable	**9,036**	9,351
Interest received	**(62)**	(107)
Cash generated by operations	**16,959**	19,535

27. Post Balance Sheet Events

On 3 April 2018, RS&C undertook a transfer of engagements. All activities have transferred to RHA as at this date.

Biographies of Board Members

Nicola Inchbald, BA (Hons) Dip TP MRTPI (Independent and Chair of RHG)

Nicola is a Chartered Town Planner with over 30 years' experience in the development industry, specialising in residential development. She is a former Senior Director of CB Hillier Parker where she ran the Development Land Team, working on such major projects as Bankside Power Station (now Tate Modern) and Farnborough Aerodrome. She is currently a Parish Councillor and a Trustee of the Ripple Trust, which supports young people in further education and the elderly in the area. Nicola is Principal of The Inchbald Maxted Partnership, a development and planning consultancy based in Worcestershire.

Keith Rolfe (Independent and Vice Chair of RHG and Vice Chair of Audit Committee)

Keith worked in the banking and financial services sector for almost 30 years. He has extensive risk management experience gained from senior roles in a number of leading global financial institutions. More recently, he spent seven years working at Barclays Bank plc. As Chief Credit Officer for the UK and Ireland for Barclays Corporate Bank, Keith and his team of 150 credit officers were responsible for facilitating delivery of the business objectives of Barclays Corporate within the risk parameters set by the Board. Keith has served as an independent member of the Department for Communities and Local Government Credit Committee, responsible for the issuance of Government guarantees under the affordable housing guarantee scheme and the private rented sector guarantee scheme. He is a non-executive director of Tipton and Coseley Building Society, where he chairs the Risk Committee.

Hilary Hobart (Vice Chair of RHL and ARP Vice Chair for Remuneration)

Hilary trained as an accountant in a firm of Chartered Accountants in Liverpool, which specialised in auditing organisations in regulated sectors. She gained a passion for housing and subsequently left the partnership to hold various finance posts and ultimately the post of Finance Director within the Liver Housing Group (now part of the Your Housing Group). In 1999 she moved to the Midlands to become the Finance Director & Company Secretary of the Accord Housing Group. She left the sector to be part of a management buy out of an IT infrastructure company and also became a voluntary Board Member of Ashram Housing Association for a period of two years. After a successful exit from her company and a four year career break to look after her twin boys, Hilary became a self-employed Finance Director for innovative start-up companies funded by venture capital investments.

Martin Holland, FCIH (Chair of RHL and Vice Chair of RHA)

Martin has worked in the housing sector for over 40 years and has experience in local authorities and the private sector, as well as housing associations. Martin retired from his role as Chief Executive at Shropshire Housing Group in 2013, where he had worked since the early nineties. He served as Regional Chair of the National Housing Federation (NHF) between 2003 and 2006, and in 2015 was elected to the Regional Committee of the NHF. Martin was appointed to the Board of the Rural Housing Advisory Group in 2011, advising the Homes and Communities Agency and Department for Communities and Local Government on rural housing issues.

Ceri Jones (Chair of RS&C)

After more than 30 years in teaching, Ceri retired from his post as Head Teacher of Bishop's Cleeve Primary School in 2000. The following year he was elected to Gloucestershire County Council as the member for Bishop's Cleeve and, in that role, has served on many committees both in Gloucester and locally. He was a member of the Council of the University of Gloucestershire for eight years and a Chairman of Cleeve Colts Football Club for 10 years. He has also chaired the Rooftop Residents Association in Bishop's Cleeve, which meets with both tenants and owner occupiers to discuss issues of interest and concern. In May 2013, Ceri decided to step down from the County Council.

Paul Kellard (Tenant)

Paul, born in Chester, has a career background in the Armed Forces and the Ministry of Defence. He currently works in Health and Social Care as a Residential Care Manager in a residential nursing home. He has been a Rooftop tenant for more than 20 years and, in recent years, he has been involved with the Rooftop Customer Panel and Resident Excellence Panel. Paul successfully completed a governance training course accredited through Derby University. Paul volunteers with the Alzheimer's Society as a fund raiser and Dementia Friends Champion. He has also undertaken training, as a Rooftop volunteer, to become a Dementia Friends Champion. He believes passionately in providing excellent housing to create strong communities, especially to an ageing population.

Rachel Lathan (Tenant and Chair of RHA)

Rachel has been an RHA tenant for some years and lives in Badsey with her husband and young family. She balances a demanding family life with her job in sales and her involvement with Rooftop. Rachel first became an involved resident with Rooftop when she joined the newly formed Resident Action Team in 2010 and has risen rapidly to the position of RHA Chair. She was a 'Tenant of the Year' finalist in the 2012 Tenant Participation Advisory Service Awards. She has successfully completed a Governance Training course accredited through Derby University. Rachel is an active member of the local community and believes passionately in providing excellent housing.

Robin Richmond, MBA FCA (Chair of Audit Committee)

Robin is a Chartered Accountant with over 40 years' private sector experience with listed companies in Healthcare, Property Development and Engineering. Since leaving Doncasters plc in 1999, Robin has undertaken a wide range of project work and has held a number of non-executive directorships, including Worcestershire Mental Health NHS Partnership Trust, Heart of England Housing and Care, and the Orbit Group. Robin is currently a Trustee, and Chair of Audit and Risk Committee, of Midlands Air Ambulance Charity. Robin is married with five children.

Malcolm Robson (Independent)

Malcolm trained as a Chartered Accountant and spent nine years in general practice with the London region of KPMG. In addition to working with a diverse client group ranging from multinational businesses to not for profit organisations, he was also appointed as a member of the audit quality review team. After leaving KPMG, he worked on a large brownfield mixed use regeneration scheme in the heart of Norwich, and was also a founder director of a Business Expansion Scheme providing residential property in the same city. Following the conclusion of the developments, he set up and developed a residential lettings agency which he sold in 1997. He retired after 16 years with Morston Assets where he was appointed Group Finance Director in 2002. Specialising in larger scale regeneration projects and commercial property development, Morston has been particularly focussed on the development of, and continuing involvement with, new communities embracing the provision of a high quality built environment, the provision of economic opportunity for residents and the wider area, and the provision of soft infrastructure to promote social cohesion and entrepreneurship.

Rooftop
Housing Group

Rooftop Housing Association Limited

Annual Report and Financial Statements

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Rooftop Housing Association Limited
Annual Report and Financial Statements
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Contents

Board, executive and advisors

Registered office	70 High Street Evesham WR11 4YD
Board	- Rachel Lathan (Chair) - Martin Holland (Vice Chair) - Hilary Hobart - Ceri Jones - Paul Kellard - Sheila Kettley - Emma Wilson (co-optee) (resigned 13 September 2017)
Executive officers	- Boris Worrall, Group Chief Executive - Caroline Dykes, Finance Director (Secretary to 15 November 2017) - Sheila Morris, Secretary and HR Director (left 31 May 2017) - Ann Lindon, HR Director (left 31 January 2018) - David Hannon, Development Director - Juliana Crowe, Housing and Communities Director - Laura Crabb, People and Performance Director (from 2 October 2017) - Caroline Allen, Secretary (appointed 15 November 2017)
External auditor	BDO LLP 2 Snowhill Birmingham B4 6GA
Bankers	Barclays Bank PLC 54 High Street Worcester WR1 2QQ
Internal auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Principal solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2ES
Other legal advisors	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ

Lenders	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
	Lloyds Banking Group 25 Gresham Street London EC2V 7HN
	Legal and General Assurance Society Limited One Coleman Street London EC2R 5AA
	Santander Corporate & Commercial Banking 17 Ulster Terrace Regent's Park London NW1 4PJ
Funding advisors	JCRA (from 1 January 2018) 12 St James's Square London SW1Y 4LB
	Capita Asset Services (until 31 December 2017) 64 Gresham Street London EC2V 7NQ
Insurance brokers	Zurich Municipal Zurich House Ballsbridge Park Dublin 4 Ireland
Taxation advisors	RSM UK Tax and Accounting Temple Row Birmingham B2 5AF
Valuers	Savills Plc 19/20 City Business Centre 6 Brighton Road Horsham West Sussex RH13 5BB
Performance analysis	HouseMark Ltd 8 Riley Court Millburn Hill Road University of Warwick Science Park Coventry CV4 7JJ

Report of the Board

The Board is pleased to present the Report of the Board, the Strategic Report and the audited financial statements for the year ended 31 March 2018.

The reports and financial statements are prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity and Rooftop Housing Group Limited is the Group parent.

Group structure

Rooftop Housing Group Limited (RHG), the Group parent, is a non-asset holding, non-charitable Registered Society (29661R), registered with the Regulator of Social Housing (L4404), providing operational and corporate services, including treasury management, information and communication technology, and human resources for the whole Group.

Rooftop Housing Association Limited (RHA) was registered as a Registered Society in May 1993 (27786R) and obtained registration with the Regulator of Social Housing in September 1994 (LH4050). RHA provides core social housing that meets charitable criteria.

Rooftop Homes Limited (RHL) is an asset holding non-charitable Registered Society (29660R) registered with the Regulator of Social Housing (LH4405). It provides housing that falls within the definition of social housing including keyworker and registered care activities. It also owns and operates market rented stock, residential garages and garage courts.

Rooftop Support & Care Limited (RS&C) is a charitable Registered Society (25211R) and manages supported accommodation for young homeless adults, as well as providing support to older RHA residents. A transfer of all activities and assets from RS&C to RHA took place on 3 April 2018.

Rooftop Management Limited (RML) is a wholly owned commercial subsidiary company (Registered in England 3569438). This company became dormant from 31 March 2005.

Principal activities

The principal activity of RHA is to provide housing accommodation at below market rents for people in housing need.

Additionally RHA provides:

- housing for sale, both shared ownership and outright sale
- temporary housing accommodation and supported housing
- a limited amount of commercial property
- management of older people schemes in partnership with the ExtraCare Charitable Trust.

Regulatory framework for social housing

The Board considers it a priority to comply with the regulatory framework and to maintain G1 and V1 ratings from the Regulator of Social Housing under the Governance and Financial Viability Standard. These were formally assessed by the Regulator through the In Depth Assessment process in January 2016 and reconfirmed in October 2017.

The Board has conducted a detailed self assessment exercise and considers that the Group remains compliant with the standards. As part of this the Board recognised the following factors:

- Board strategy event on 6-7 October 2017 reviewed Rooftop's vision, values and outcomes for tenants and potential tenants
- A new role of Head of Governance was introduced during the year to support robust governance oversight
- A Governance Improvement Plan was approved by the Boards in January 2018. The Plan will span 18 months and aims to strengthen existing governance arrangements
- Board appraisal system was reviewed for 2018 and changes were made to include 360° feedback for all Board Members, including a skills review
- Audit and Risk Committee terms of reference reviewed and presented to Boards for approval in May 2018
- An upgraded risk function was established in June 2017 with the Head of Risk and Compliance and Risk and Compliance Officer leading on delivering an effective internal control framework
- Introduction of early warning indicators which are reported quarterly to Audit Committee and Executive Team
- During the year RHA obtained £50 million of new revolving credit facilities and the securitisation process was close to completion at year end
- At 31 March 2018 RHA had 49 months until new funding was required, and RHL had 23 months
- A new Treasury team has been created including a Treasury Manager to help ensure Rooftop can maintain monitoring and reporting with an increased number of funders
- All regulatory returns (FVA, SDR, Quarterly Returns, FFR, Fraud) have been submitted to the regulator's deadline
- Asset data is held on all dwellings within an Asset Performance Evaluator, a live tool used to measure present values on all stock and informs investment and disposal decisions. Board received update on Asset performance in November 2017 showing an average net present value of £52,000 per unit
- Resident Excellence Panel scrutinises Rooftop services to its residents, through a programme of scrutiny reviews and to act as a source of assurance
- Piloted Sector Scorecard and adopted this as our core value for money tool for 2018/19.

Internal controls

The Group Board is responsible for the overall system of internal control throughout the Group and for reviewing its effectiveness. The Group Board has delegated initial responsibility audit and assurance functions to the Audit Committee, which comprises Board Members from across the Group. The members of the Audit Committee are chosen for their appropriate skills, while representing the composition of the Group.

The Audit Committee has responsibility for reviewing the adequacy of all risk and control related statements prior to endorsement by the relevant Boards and reviewing the effectiveness of internal control systems, including management, financial, operational and risk controls, so that the Group can be reasonably assured that appropriate and effective risk management arrangements are in place.

Work undertaken by the Audit Committee during the year included:

- Financial reporting, including the integrity and appropriateness of financial statements
    - Reviewed the statutory accounts and external audit findings
    - Reviewed the performance of the External Auditors (BDO) during 2017/18 and the 2017/18 final accounts timetable
    - Approved the 2017/18 Accounting Policies.
- Risk management process and framework
    - Approved the reporting, by exception, of performance indicators to give assurance that the risk process is effective
    - Discussed the quarterly reports on significant risks including the key performance indicators, challenged the early warning indicators and sought assurance on the accuracy of the assessments and the controls
    - Reviewed the annual update on insurance, noting the level of cover, claims record and estimated renewal costs.
- Internal and external audit functions
    - Approved the Audit Committee annual reporting cycle
    - Reviewed the scopes for individual internal audits prior to fieldwork and ensured that the work being undertaken addressed key business risks
    - Reviewed the summary report on internal controls presented by the Internal Auditors (Beever and Struthers) and noted the overall status of 'substantial' assurance. Substantial assurance was achieved based on 70 audit days of work covering 16 (eight strategic and corporate, four financial and four operational) internal audit areas. There were three 'full assurance' opinions in the areas of health and safety – gas safety, budgetary control and housing management system project review. There were no 'limited assurance' or 'no assurance' opinions given during the year. All 13 other reports were given 'substantial assurance' opinions
    - Reviewed the internal audit tender exercise and recommended the appointment of Mazars as Internal Auditors for a period of five years
    - Approved the Internal Audit five-year plan to be conducted by Mazars from 1 April 2018.
- Compliance, whistleblowing, fraud, anti-bribery, asset and liability registers and stress testing
    - Reviewed the tenancy fraud policy and recommended approval by the Board
    - Reviewed the fraud registers (tenancy and general) prior to each Audit Committee meeting and noted that there were no exceptional items.
    - Reviewed the gifts and hospitality register prior to each Audit Committee meeting and noted that there were no exceptional items
    - Reviewed the governance improvement plan and noted progress
    - Reviewed the General Data Protection Regulation (GDPR) update and noted action plan progress
    - Reviewed and noted key areas highlighted in an analysis of regulatory governance downgrades elsewhere in the sector
    - Reviewed the results of the internal controls self-assessment carried out by the Leadership Team and requested quarterly updates on actions being taken to improve areas of concern
    - Reviewed the annual anti-money laundering company-wide risk assessment and noted the 'low' risk status
    - Approved the annual report on the effectiveness of the Audit Committee and its terms of reference.
- Resident Excellence Panel
    - Approved the Resident Excellence Panel's updated three-year plan, and the final report on the empty homes (void) standard scrutiny review
    - Approved the Resident Excellence Panel's repairs and responsibilities scrutiny review report containing recommendations to improve the experience for residents whilst delivering value for money
    - Approved the review of 'empty homes (void) standard and 'service charges in communal areas' as the first items in the developing three-year Residence Excellence Panel review plan
    - Reviewed and noted the status of the actions from the Resident Excellence Panel's reviews of 'continuity in resident enquiries', 'cost sharing vehicle' and 'repairs responsibilities'

- Reviewed the Residence Excellence Panel's scrutiny reviews action plan and noted progress with the actions.

There were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.

General Data Protection Regulation

The Board recognises the importance our customers and stakeholders place on our use of their personal data and that we are transparent and accountable in the ways we collect, use and safeguard it.

Rooftop is mindful of the requirement to comply with the new General Data Protection Regulation (GDPR) and Data Protection Act 2018 which came into effect on 25 May 2018 and therefore has taken steps to ensure our staff and partners are aware of our obligations, by undertaking mandatory training and increasing awareness at all levels within the organisation. We have ensured our third party partners, who process personal data on our behalf, have security and compliance at the forefront of their work for us by way of legal agreements and audit of their systems.

We have also reviewed our own compliance with the GDPR and Data Protection Act 2018 and are of the view that there has been no material non-compliance with the legislation following implementation. Notwithstanding, and in line with good practice, Rooftop continues to keep the organisation's compliance under review.

Code of governance

The Board has formally adopted the National Housing Federation's Code of Governance (2015), and Code of Conduct (2012). The Board has formally assessed its compliance against the Code of Governance and confirms that the organisation is fully compliant.

Governance

RHA is governed within the framework set by its rules as a Registered Society. These state that RHA will have a Board and determine its membership. In making appointments to the Board, the Group seeks members with a range of skills that it requires to effectively govern its business.

Rooftop Board Members are carefully selected to make sure that they have the mix of skills and experience appropriate to their roles within the Group.

Board Members' responsibilities

The Board Members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board Members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the Board Members. The Board Members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue as auditors. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Employees

Within the Group structure all staff are employed by RHG, the Group parent. RHG is committed to promoting equality of opportunity in its employment practices. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

The Group has continued its practice of consulting and keeping employees informed on matters that affect them and on the progress of the Group. This is carried out in a number of ways including: formal consultation with the employee forum, departmental meetings and a company-wide briefing session.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. It reviews its health and safety policy and statement on an annual basis, has prepared health and safety procedures to support compliance and a Safety Committee has been established. All staff receive a detailed health and safety induction on commencement and a programme of training on health and safety matters is ongoing. For 2018, a wholescale review of the Group's health and safety management has been commissioned.

Insurance

RHG maintains insurance policies for members of the Board and executive directors against liabilities in relation to the Group.

Going concern

The Board considers that it has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the 'going concern' principle in the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 26 September 2018.

By order of the Board

Ceri Jones
Vice Chair
18 July 2018

Strategic report

The Strategic Report sets out the overall strategy of Rooftop Housing Group and its subsidiaries, along with specific information relating to RHA.

Why we do what we do

Rooftop is characterised by people with passion and purpose. It's at the heart of everything we do and every decision we make. Our 'profit for purpose' approach underpins our goals to:

- Build great, sustainable, affordable homes
- Support successful, healthy lives
- Create a better business for the future.

2018/19 sees the launch of a new five-year plan for Rooftop. Our aim is to reshape the business to adapt to emerging customer need and the changing external environment. We will continue to build on our proud history and heritage, whilst realigning towards an ambitious plan for growth and evolution.

We have set out our Vision for 2023 and our detailed plans for 2018/19, including preparing for growth through transformation. We recognise the need to develop the Rooftop offer and become a truly modern, social and dynamic business that has the capacity to respond to opportunity. 2018/19 is our 'get ready' year.

Building on our strengths

Rooftop is a group of people with a strong sense of purpose. For many years we have benefitted from a good reputation based on our successful track record and a history of strong performance. It's a good place to work and we plan to make it great by building high performing teams within a first-class organisation. We have built a solid knowledge bank in our staff, who are well networked and have good experience in their fields.

Our robust and disciplined approach to governance and strong financial performance mean that we retain the highest regulatory rating for governance and continue to deliver excellent Value for Money. We build houses to exceptional quality and design and take a proactive approach to land banking. The value and condition of our assets is high.

We have developed highly regarded specialist support services for younger people, older people, gypsies and travellers, and victims of domestic violence. Our customers appreciate our strong service culture and commitment to involvement and listening.

Capitalising on opportunities

We are seeing growing demand for our services, changes in the external environment and increased levels of need. We can respond to the developing housing crisis, ageing population and increases in homelessness through the provision of specialist accommodation and services. We do so by delivering as many homes as we can, including properties for shared ownership and market sales to meet aspiration as well as need.

As customer behaviour and service delivery expectations evolve, we are responding by encouraging our customers to self-service and direct delivery, and by digitising our approach to work. We will commit to harnessing technology for the good of our customers and colleagues.

We are capitalising on our ability to scale by seeking partnerships of mutual benefit where goals and values are shared. We will continue to strengthen our relationships with local authorities and funders, building a strong network of stakeholder partners. We will maintain robust arrangements with our suppliers and support providers, securing longevity of contracts and high levels of service.

Adapting our business

Building a modern, dynamic, social business that is fit for the future will require profound change in the way that we work. We have begun to evolve the Rooftop operating model to enable us to harness the power of technology, innovation and agility. We are reducing complexity and bureaucracy in our business, focussing our work programme and integrating our strategies.

By realigning our group structure and our financial arrangements to our future direction and by moving to a more focussed portfolio we can continue to grow and consolidate our place-based core in South Worcestershire and North Gloucestershire.

We will build a succession plan and a talent framework with our staff, devolving decision-making to create an environment of empowerment with leaders at every level.

How we work

Everything we do, for our customers and for each other, is underpinned by our values.

We work together

- We talk
- We listen
- We network

We make things better

- We solve
- We learn
- We evolve

We do the right thing

- We own
- We support
- We act!

The building blocks to 2023

The core strategic objectives for 2023 will be underpinned by a suite of five-year strategies covering the development of our property portfolio, customer engagement and business performance. The strategies will be realised on a year-to-year basis through the delivery of annual action plans, supported by robust performance management with a renewed set of KPIs from 2018.

STRATEGIC OBJECTIVES (5 Year)		
GREAT HOMES	**SUCCESSFUL LIVES**	**BETTER BUSINESS**
1,000+ Homes Garden Village	4,000 Customers Supported 90% Customer Satisfaction	Top 10 Company 40+% Social Lettings Operating Margin

Our commitments in 2018/19

We will build great homes

As the organisation responds to the ever present and growing need for more affordable, well designed, well located homes, we will respond by identifying development opportunities in our key areas of operation. We will create an environment that supports the delivery of 311 homes this year whilst gearing up to the expectation of building **1000+ new homes by 2023**.

We will identify and secure a rolling **5-year land bank**, where we will look to deliver multi-tenure sites that deliver our core objective and offer a mix of homes suitable for a range of purchasers who require and demand well built homes to a high standard with a great level of customer service offering them affordable places to live. We deliver outright sales homes to generate cross subsidy and in doing so we will explore the merits of creating a **Development Company**.

During 2018 we will also investigate sites large enough to accommodate our **Garden Village** ambition for 2023. This year will also see our ambitious **Almonry** redevelopment scheme start on site, and the launch of an exciting new regeneration partnership at **Bishop's Cleeve**.

We make a step change in optimising the value of our existing asset portfolio and will move to an area-based repairs service whilst introducing a satisfaction survey matrix. Through these changes we will deliver customer **satisfaction rates to 90%** for both repairs and our wider services as a landlord. In 2018/19, we will seek to achieve EPC band E across our portfolio as part of an ambition to move towards the majority of our homes being at Band B by 2023.

We will support successful lives

2018 will see a step-change in the way we coordinate our customer offer through the launch of a new **Service Delivery Framework** (SDF). The SDF will allow appropriate balance between core and specialist services and ultimately improve the customer experience. This will be supported by our 'digital by design' approach and reinforced with the implementation of our new **'Rooftop Together'** service standard based on leaner processes and whole-patch ownership.

In 2017 we outlined our ambition to create a centralised, real time solution for customer engagement, and we began work on a project to implement a bespoke **Housing Management System** (HMS). We have identified a challenging target to support **80% of customers to access our services digitally**. The HMS will enable Rooftop to offer an easy to use self-service environment for its staff and customers. With greater flexibility (out of hours) and scope, improving financial inclusion and delivering more efficient and cost-effective provision of services, HMS will launch in Autumn 2018.

In 2018 we will review customer engagement across the organisation, continuing to monitor customers affected by the implementation of Universal Credit and welfare reform. Our ambitious income targets for this year include holding **rent arrears at 3%** and reducing our **re-let time to 12 days for general needs**.

Our programme of support-based services for customers remains at the heart of our 'profit for purpose' approach. In 2018 we will seek to secure further funding and certainty for these services towards 2023. Our **Community Investment Strategy** also outlines a range of specialist services for young people, older people, Gypsy and Traveller communities, armed forces personnel and people affected by domestic abuse. We are proud to be achieving significant results through these services and will be working with Government to advise at a national level during 2018.

We will create a better business

In 2018, **a Governance Improvement Plan (GIP)** will enable us to evolve the structure, governance, policies and procedures and practices we will need to deliver our 2023 Vision. Our focus will be enabling a more agile and flexible business environment and continued compliance with all regulatory and statutory requirements. The Board will review proposals during 2018 to evolve towards the optimum group and funding structure. We will continue to pursue **Value for Money** through the implementation of the Sector Scorecard.

We will continue to strengthen our **risk** systems, engagement, reporting and tools and ensure that business activity takes place within the risk appetite set by the Board. We will continue to strengthen our approach to keeping customers and colleagues safe. Development of **Health & Safety** reporting will continue during 2018 and compliance policy reviews will be undertaken to provide assurance and facilitate corrective action.

We will continue to enhance our **technology** systems and digital working environment to enable mobile and agile working, and drive to digitise processes and communication across the business. The implementation of our new **Housing Management System** (HMS), Customer Relationship Management capability, electronic document management and mobility software will enable us to serve more customers in a timely and efficient manner. We will introduce 'any day' direct debits and tenancies and ensure that the HMS better enables the tenant payment process.

Communication with and between our people will continue to be a priority in 2018 and will be supported by the implementation of a new web-based intranet service (Facebook Workplace) for staff and Board Members. Externally we will continue our work to redevelop the Rooftop **website and social channels** in support of our goal to reinforce our brand as a modern, social and dynamic business. A new stakeholder management approach will be developed in 2018.

Key activities

The principal activity of the Group is to provide housing accommodation at affordable rents for people in housing need. Rooftop Housing Group Limited is the parent company of the Group and the legal nature of each entity in the Group is disclosed in the Report of the Board. Rooftop Housing Association Limited provides an inter-company loan to Rooftop Homes Limited as disclosed in note 12 of the financial statements of Rooftop Housing Association Limited.

This core social housing lettings activity represents 92% of Rooftop's turnover (2017: 94%). The next most significant elements of the business are shared ownership sales (4% of turnover; 2017: 3%) and supporting people (2% of turnover; 2017: 2%). Other activities are negligible.

Financial performance

Rooftop Housing Association Limited

RHA, the Group's core social housing provider, generated a surplus before taxation of £7.3 million (2017: £7.4 million). This was a significant outperformance of RHA's budgeted surplus of £6.1 million.

An important contributor was the surplus from property disposals, which was £0.7 million higher than budget. This is mainly due to a significant volume of shared ownership staircasing activity, unprompted by Rooftop and exceeding the more modest activity seen in previous years. This shows shared ownership providing a successful pathway to full home ownership, as well as providing cash receipts for reinvestment in further new supply.

The next most significant factor was intercompany charges from the group parent, which were £0.6 million lower than budget. This is because some anticipated costs were capitalised by the parent, and intercompany charges have been rebalanced between the subsidiaries.

RHA's turnover from social housing lettings, its core income stream, rose by £0.4 million (1.2%). The Welfare Reform and Work Act 2016 requires RHA to reduce the majority of its rents by 1% a year for the four years 2016-20, which has had a significant impact on RHA's ability to grow its core income stream. The overall increase is due to the completion of new properties during the year, along with some exempt properties.

RHA's cash balance at year end was £19.1 million (2017: £17.4 million). This is a result of drawing funding from Nationwide in March, before the end of the availability period. RHA has also arranged £50 million of revolving credit facilities during 2017/18.

This will support a major new homes programme. Overall RHA has funded plans to complete 678 homes over the period from April 2018 to March 2023. The majority of these (466) will be homes for below market rent, but the planned programme also includes open market (49) and shared ownership sales (163). RHA will also deliver four gypsy and traveller pitches in Solihull and one commercial unit as part of a larger scheme in Gloucester. This represents a managed expansion of RHA's exposure to the cyclical risks of the English housing market.

RHA continues to place a priority on land banking activities, to ensure a smoother pipeline of development. RHA's land bank peaked at 206 units and contributed land for 137 homes into the development programme.

RHA received a transfer of all activities and assets from RS&C on 3 April 2018. This involved the transfer of two properties and novation of existing managing agreements and support contracts. The new activities are relatively small scale for RHA and are consistent with RHA's existing activities and objects.

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 our 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.

Our overhead percentage has risen due to deliberate investment in our 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.

Last year's performance targets

Last year, we set 13 targets for the year. Results are given below. We have achieved eight of the targets.

New homes built (as a percentage of current stock) was based on us achieving 112 completions. This measure matches regulatory metric 2a. Our actual number of completions against this definition was 75. We also achieved practical completion on a further 35 homes, but these were not in management at year end as further work was required to communal areas, and four gypsy and traveller pitches.

Our overhead percentage was higher than originally budgeted, as during the year we decided to strengthen our risk, compliance and governance functions, as well as investing in laptops and office infrastructure.

Satisfaction with repairs and maintenance was below our target, based on surveys of a sample of all customers. Throughout the year, we have separately monitored satisfaction levels of customers who have actually had a recent repair and found satisfaction to be significantly higher, at 88%. Satisfaction with our services as a whole was 89.5%, just below our 90% target.

There is an overlap between our previous metrics and the new Sector Scorecard. We will be using the Sector Scorecard as our main performance framework in the future.

2017/18 targets	2016/17 result	2017/18 target	2017/18 result	Target achieved?
Overall satisfaction with services	92.1%	90.0%	89.5%	No
New homes built (as a percentage of current stock)	0.7%	1.6%	1.2%	No
Average energy efficiency rating of our homes (SAP)	71.5	71.7	72.7	Yes
Operating margin	44.7%	40.2%	41.1%	Yes
Housing management (cost per home)	£187	£205	£218	No
Major works and cyclical maintenance (cost per home)	£796	£977	£958	Yes
Responsive repairs and void works (cost per home)	£533	£542	£524	Yes
Estate services (cost per home)	£102	£113	£117	No
Overhead costs as a percentage of turnover	9.5%	11.6%	11.5%	Yes
Rent collected	99.6%	99.8%	99.9%	Yes
Average time to re-let empty social homes (days)	14.3	14.0	12.4	Yes
Satisfaction with repairs and maintenance	86.1%	87.0%	75.2%	No
Satisfaction with new homes	95.0%	97.0%	100.0%	Yes

Principal risks and uncertainties faced

Rooftop has a comprehensive and well-established risk management system, which allows risks to be identified for all parts of the business process. Risks are assessed, prioritised and control measures are implemented.

The increasing pace of internal and external business activity requires continuous review of business and project risks. During 2018/19 we will strengthen our internal control environment with better use of existing risk management tools and a better system to extract value from risk management activity.

The risk process is dynamic with risks being reviewed quarterly. Currently the following key business risks have been identified for RHA that could impact the achievement of business objectives.

Title	Description	Mitigation
Safety of Staff/Residents Safeguarding of staff/residents	Our number one objective is to develop and maintain a high level of safety both for employees and external partners who help deliver our services and to our customers and other stakeholders who receive those services.	Health and Safety is maintained by continuously improving embedded controls, review, swift corrective actions and monthly reporting.
Cost Sharing Vehicle	Cost Sharing arrangements with Fortis Living deliver Value Added Tax (VAT) savings on labour costs associated with both responsive and planned maintenance. These savings are now at risk due to HM Revenue & Customs (HMRC) reviews and the planned merger of Fortis and Waterloo.	HMRC's guidance is that existing cost sharing groups set-up by housing associations can continue for the time being. Options are being considered by the Board.
Ability to access new debt	Rooftop will have significant treasury needs to fund the ambitious development programme.	We have arranged £50 million funding during the year which is sufficient for our current programme. The securitisation process needs to be completed before this risk is fully mitigated; this was almost complete at year end.
Housing market sales exposure	Rooftop's development programme includes shared ownership sales and outright market sales. Rooftop recognises that this increases its exposure to the cycle of the housing market.	Rooftop has in place a risk appetite set by the Board to limit maximum exposure, a marketing strategy to ensure sales are achieved as planned, early warning indicators to assess changes in the market and contingency in place to protect social assets if the risk materialises.
Debt refinancing	Financing put in place to fund development requires periodic refinancing in both RHA and RHL. Our ability to refinance will be dependent upon our credit standing and the state of the financial markets at the time.	Rooftop has in place a risk appetite set by the Board to limit maximum exposure and monitors exposure monthly. Current exposure is significantly below the risk appetite.
Regulatory downgrade: Governance Financial viability	Rooftop received an In-Depth Assessment from the Regulator of Social Housing in January 2016. This confirmed Rooftop's top ratings for governance and financial viability (G1/V1).	The Board considers it to be a priority to retain these G1/V1 ratings in the future and is continually enhancing governance, risk and compliance.
Differential inflation	Social rents will not be re-linked to Consumer Price Inflation (CPI) until 2020. Any increase in underlying inflation has the potential to erode net income and hinder the achievement of the financial business plan.	Value for money initiatives have been incorporated into the budget and business plan and these are monitored to ensure good cost control. Rooftop has carried out multi-variate stress testing which includes the effects of inflation and has a defensive plan which can be enacted in the event of unforeseen costs.

Welfare reform – loss of income	The Welfare Reform and Work Act is expected to pose significant challenges through the implementation of Universal Credit.	Rooftop is a member of a welfare reform group, has a dedicated income team and has delivered training to staff. Customer profiles have been updated, we have dedicated money advice and job coaches to help people off benefits and Neighbourhood Officers have smaller patches and closer knowledge of residents.
Projects	A significant proportion of Rooftop's plan is to be delivered via special projects with associated delivery, cost and scope risks.	Key projects will only commence following the approval of an investment paper. Key deliverables and milestones will be tracked by a project control group, financial monitoring and risk management.

By order of the Board

Ceri Jones
Vice Chair
18 July 2018

Independent auditor's report to the members of Rooftop Housing Association

Opinion

We have audited the financial statements of Rooftop Housing Association ("the Association") for the year ended 31 March 2018 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board Members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Board Members responsibilities statement set out on page ..., the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA
26 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	**33,704**	33,015
Operating costs	2	**(19,287)**	(17,791)
Operating surplus	2	**14, 417**	15,224
Surplus on disposal of property, plant and equipment	4	**976**	431
Interest receivable	8	**299**	341
Interest and financing costs	9	**(8,344)**	(8,633)
Movement in the fair value of financial instruments	24	**12**	23
Movement in the fair value of investment properties	11	**0**	9
Surplus before tax	7	**7,360**	7,395
Taxation	10	**(14)**	(4)
Surplus for the year		**7,346**	7,391
Total comprehensive income for the year		**7,346**	7,391

The notes on pages 24 to 44 form part of these financial statements.

Statement of Financial Position
At 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Housing properties	11	**294,409**	278,317
Investment properties	11	**700**	700
Investment in subsidiaries	12	**4,395**	4,384
		299,504	283,401
Current assets			
Properties held for sale		**2,554**	1,502
Debtors receivable in one year	13	**5,605**	3,128
Cash	14	**19,072**	17,419
		27,231	22,049
Creditors: Amounts falling due within one year	15	**(17,923)**	(16,232)
Net current assets		**9,308**	5,817
Total assets less current liabilities		**308,812**	289,218
Creditors: Amounts falling due after more than one year	16	**(249,245)**	(236,997)
Net assets		**59,567**	52,221
Capital and reserves			
Share capital	17	**-**	-
Revenue reserve		**59,567**	52,221
Total reserves		**59,567**	52,221

The notes on pages 24 to 44 form part of these financial statements.

The financial statements were approved by the Board on 18 July 2018 and signed on its behalf by:

Secretary **Board Member** **Board Member**

Statement of Changes in Reserves
For the year ended 31 March 2018

	Revenue reserve	**Total**
	£'000	**£'000**
Balance as at 1 April 2016	44,830	44,830
Surplus for the year	7,391	7,391
Balance at 31 March 2017	52,221	52,221
Surplus for the year	7,346	7,346
At 31 March 2018	**59,567**	**59,567**

The notes on pages 24 to 44 form part of these financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice). This includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity.

Group accounts

The consolidated financial statements for Rooftop Housing Group Limited incorporate the financial statements of Rooftop Housing Association Limited, Rooftop Homes Limited, Rooftop Support and Care Limited and Rooftop Management Limited. These entities are all subsidiaries within the meaning of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Localism Act 2011.

Year end

The group's ordinary year end date is 31 March.

Going concern

The financial statements will be prepared on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

After making enquiries and reviewing the financial plan, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rental and service charge income, fees, grants receivable and disposal proceeds of shared ownership first tranche sales.

Proceeds from the first tranche disposals of shared ownership properties are accounted for in turnover in the Statement of Comprehensive Income in the period in which the disposal occurs. The cost of sales includes the incidental costs of executing the sale and a proportion of the overall costs of the property determined by the percentage of the property sold under the first tranche sale. The cost of sale is adjusted, where necessary, to ensure the surplus on sale is restricted to the overall surplus on the scheme.

Service charges

The Association operates variable and fixed service charges depending on the requirements of the respective tenancy agreements. Where the charge is variable an assessment is made of whether costs have been over or under recovered and an appropriate prepayment or accrual provided for in the accounts.

Right to buy income and sales

Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are disclosed on the face of the Statement of Comprehensive Income after the operating result and before interest. On the occurrence of a sale a relevant proportion of the proceeds are clawed back by Wychavon District Council. The surplus or deficit is calculated by comparing the net proceeds received by the Association with the carrying value of the property sold.

Shared ownership properties

Shared ownership properties under construction are proportionally split between current and fixed assets, determined by the percentage of the properties to be sold under the first tranche sales.

Housing Properties

Housing properties including shared ownership properties are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of the properties is their purchase price together with improvement costs and incidental costs of acquisition, including capitalised interest and development administration.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

General Needs	100 years
Sheltered and Supported	100 years
Non-traditional	15 years
Garages	25 years
Leasehold property	Over life of the lease
Shared ownership	100 years

Component Accounting

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Roofs	75 years
Windows	40 years
Doors	40 years
Boilers	15 years
Kitchens	20 years
Bathrooms	30 years
Heating	30 years
Electrics	30 years
Lifts	30 years

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred into housing properties when completed.

Land donated or acquired below market value is included in cost at its valuation, with the donation treated as a capital grant when it relates to a specific project.

The market rent properties are investment properties in accordance with FRS 102 and are not depreciated but are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Impairment

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell.

Social Housing Grant (SHG) and other Government Grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to assets are recognised in income using the accrual model on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised.

Recycling of Capital Grant

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

Capitalisation of interest

Interest on the loan financing a development is capitalised from the purchase of land or property and/or the start on site up to the date of practical completion. The amount takes into account interest earned on SHG received in advance. No interest is capitalised on land purchased for future developments.

Supported housing schemes managed by agents

The Association owns a number of schemes that are run by specialist agencies. The agents carry the financial risk from operating the scheme and, therefore, the Statement of Comprehensive Income only includes the income and expenditure that relates solely to the Association. Any other income and expenditure related to the scheme is excluded from the statement of comprehensive income.

Investments

Any investment by one Group member to another is shown at historical cost.

Major and cyclical repairs and maintenance

The Association only capitalises major repairs expenditure on housing properties where it increases the net rental stream by:

- extending its useful economic life or
- the improvement enables a higher rental income to be charged

All other major repairs expenditure is charged to the statement of comprehensive income as incurred.

Provisions

The Association only provides for contractual and constructive liabilities where it has a present obligation to transfer economic benefits as a result of past events, it is probable that a transfer of economic benefit will result and a reliable estimate can be made of the amount of the obligation.

Pension Costs

The Group has traditionally operated two defined benefit pension schemes, contracted out of the state scheme. These were closed from April 2014. The Group also operated two money purchase defined contribution schemes and a career average revalued earnings defined benefit scheme (CARE), but from April 2014 the Group only operates one defined contribution scheme. Contributions to pension schemes are determined in accordance with actuarial advice and calculated as a percentage of pensionable salaries.

For the defined contribution scheme the amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year. This is charged to RHG and apportioned to subsidiaries via the Group Membership Agreement.

For the closed defined benefit schemes there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded. This liability is recognised in the RHA Statement of Financial Position and the resulting expense in the RHA Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Leased assets

Rentals paid under operating leases are charged to the statement of comprehensive income in the period to which they relate. There are no finance leases.

Value Added Tax (VAT)

The Group is VAT registered but the majority of its income, being housing rents, and right to buy sales, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is deducted from lettings expenditure. From October 2013 RHA, RHL and RS&C became members of a cost sharing group which provides property repair services to the Group.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 102.

Deferred tax is not provided for in respect of gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over, or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

Financial Instruments

Basic financial instruments which meet the necessary conditions of FRS 102 are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method with interest charges recognised as an expense in the Statement of Comprehensive Income. Financial Instruments classified as non-basic are measured at fair value at the end of each reporting period with gains and losses arising from year to year being recognised in the Statement of Comprehensive Income.

Service charge sinking funds

Unutilised contributions to service charge sinking funds are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund.

Bad Debt Provision

Former tenant arrears are provided for in full in the bad debt provision. Current tenant arrears are provided for on a percentage basis based on the age of the debt.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and labilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to account estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Management have also considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment.

Development expenditure

The Group capitalises development expenditure in accordance with the stated accounting policy. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of non-basic financial instruments. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual price that would be achievable in an arm's length transaction at the reporting date.

Pension costs

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

2. Particulars of turnover, operating costs & operating surplus

	2018			2017		
	Turnover	**Operating costs**	**Operating surplus/(deficit)**	Turnover	Operating costs	Operating surplus/(deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Social housing lettings	32,108	(16,576)	15,532	31,716	(15,734)	15,982
Other social housing activities						
Shared ownership sales	1,422	(1,198)	224	1,119	(918)	201
Supporting People	174	(651)	(477)	180	(630)	(450)
Other	-	(862)	(862)	-	(509)	(509)
	1,596	**(2,711)**	**(1,115)**	1,299	(2,057)	(758)
Total	**33,704**	**(19,287)**	**14,417**	33,015	(17,791)	15,224

3. Particulars of income and expenditure from social housing lettings

	General needs	Supported housing and housing for older people	Other	2018 Total
	£'000	**£'000**	**£'000**	**£'000**
Rent receivable net of identifiable service charges	**25,538**	**3,305**	**32**	**28,875**
Amortised government grant	**450**	**170**	**-**	**620**
Service charge income	**2,613**	**-**	**-**	**2,613**
Turnover from social housing lettings	**28,601**	**3,475**	**32**	**32,108**
Management	**3,323**	**517**	**12**	**3,852**
Services	**1,264**	**1,302**	**3**	**2,569**
Routine maintenance	**3,412**	**813**	**9**	**4,234**
Planned maintenance	**1,422**	**212**	**-**	**1,634**
Rent losses from bad debts	**129**	**-**	**-**	**129**
Depreciation of housing properties	**4,158**	**-**	**-**	**4,158**
Operating costs on social housing lettings	**13,708**	**2,844**	**24**	**16,576**
Operating surplus on social housing lettings	**14,893**	**631**	**7**	**15,532**
Rent losses from voids	**121**	**130**	**23**	**274**

	General needs	Supported housing and housing for older people	Other	2017 Total
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	25,223	3,286	116	28,625
Amortised government grant	458	149	-	607
Service charge income	413	2,071	-	2,484
Turnover from social housing lettings	26,094	5,506		31,716
Management	2,721	397	6	3,124
Services	1,189	1,606	-	2,795
Routine maintenance	3,719	717	3	4,439
Planned maintenance	1,429	14	6	1,449
Rent losses from bad debts	91	-	-	91
Depreciation of housing properties	3,117	671	48	3,836
Operating costs on social housing lettings	12,266	3,405	63	15,779
Operating surplus on social housing lettings	13,828	2,101	53	15,982
Rent losses from voids	102	279	21	402

4. Sale of housing accommodation

	2018 £'000	2017 £'000
Disposal of properties		
Receipts from sale of housing property	**1,527**	1,005
Book value of properties sold	**(501)**	(506)
Other operating costs and costs of disposal	**(50)**	(68)
Surplus on sale of properties	**976**	431

5. Directors' emoluments and expenses

The directors are defined as the members of the Board and the executive officers as given on page 1. The directors are employed and paid by Rooftop Housing Group Limited and these details are presented in the parent company accounts.

6. Employee information

RHA does not directly employ any staff. All Group staff are employed by the parent Rooftop Housing Group Limited. The details are provided in the parent company accounts.

7. Surplus before taxation

	2018 £'000	2017 £'000
The surplus before taxation is stated after charging :		
Depreciation	**4,158**	3,836
External auditor's remuneration (excluding value added tax)		
- in their capacity as auditor	**14**	14
- in respect of other services	**3**	3

8. Interest receivable

	2018 £'000	2017 £'000
From banks	**59**	102
From loan to another group undertaking	**240**	239
Total	**299**	341

9. Interest and financing costs

	2018 £'000	2017 £'000
Bank loans and overdrafts	**8,908**	8,940
Net interest on pension liability	**9**	16
Less: interest capitalised	**(573)**	(323)
Total	**8,344**	8,633

The rate used to calculate capitalised interest was 4.6% (2017: 4.7%) being the average rate of borrowing. Total interest payable of £8.3 million includes -£57,170 in respect of adjustments of basic financial instruments to effective interest rate.

10. Taxation

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on surplus for the year	**14**	4
Total current tax	**14**	4
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on surplus on ordinary activities	**14**	4

Factors affecting tax charge for the year

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK as explained below:

	2018	2017
Surplus on ordinary activities before tax	**7,346**	7,395
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%) (2017: 20%)	**1,396**	1,479
Effects of:		
Expenses not deductible for tax purposes	-	-
Charity income – not taxable	**(1,382)**	(1,475)
Total tax charge for the year	**14**	4

11. Tangible fixed assets

	Freehold Land	Housing Properties for Lettings	Shared Ownership	Investment Properties	Shared Ownership under construction	Properties under construction	Total properties
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At I April 2017	2,535	284,693	13,538	700	913	11,765	314,144
Works to existing properties	-	2,403	-	-	-	-	2,403
Additions	1,600	31	168	-	2,175	14,800	18,774
Disposals	-	(490)	(689)	-	-	-	(1, 179)
Transfer between categories	-	8,141	487	-	(356)	(8,272)	-
Revaluation	-	-	-	-	-	-	-
At 31 March 2018	**4,135**	**294,778**	**13,505**	**700**	**2,732**	**18,293**	**334,143**
Depreciation							
At I April 2017	-	34,571	556	-	-	-	35,127
Charge for year	-	4,070	87	-	-	-	4,157
Transfer between categories	-	(8)	8	-	-	-	-
Disposals	-	(195)	-	-	-	-	(195)
At 31 March 2018	**-**	**38,438**	**651**	**-**	**-**	**-**	**39,089**
Net book value at 31 March 2018	**4,135**	**256,340**	**12,854**	**700**	**2,732**	**18,293**	**295,054**
Net book value at 31 March 2017	2,535	250,122	12,982	700	913	11,765	279,017
Cost or valuation represented by:							
Gross cost	**4,135**	**294,778**	**13,505**	**450**	**2,732**	**18,293**	**333,893**
Revaluation	-	-	-	**250**	-	-	**250**
Total	**4,135**	**294,778**	**13,505**	**700**	**2,732**	**18,293**	**334,143**

Investment properties, which are all freehold commercial properties, were valued to fair value at 31 March 2018 based on a valuation undertaken by Savills, Chartered Surveyors. The valuation was carried out in accordance with the RICS Valuation – Professional Standards manual.

Housing properties for lettings and shared ownership properties are accounted for at historic cost but have been valued for funders' purposes as follows:

Completed housing properties were valued as at 31 March 2018 on the basis of existing use value - social housing (EUV - SH). The existing use value for social housing assesses the dwellings on the basis that they would be managed and owned by an organisation committed to the provision of rented accommodation let at an affordable rent, and that the vacant units would be re-let on similar terms rather than sold into the open market.

Total expenditure on works to existing properties:

	2018	2017
	£'000	£'000
Amounts capitalised:		
Replacement of components	**2,403**	2,234
Improvements	**0**	29
	2,403	2,263
Amounts charged to the statement of comprehensive income	**1,634**	1,449
Total	**4,037**	3,712

Gross expenditure on components was £2,402,772 and the net book value of replaced components written off was £113,664.

Savills, Chartered Surveyors, carried out the EUV - SH valuation in accordance with the RICS Valuation - Professional Standards manual and takes into account the performance standards for Registered Providers published by the Homes and Communities Agency.

The EUV - SH valuation method discounts the cash flows from rental and other income less management, maintenance and repair expenditure to their present value. The main assumptions used were:

• Discount rate	5.5% - 6.25% (real)
• Annual growth in income/expenditure	1.0% (real) long term
• Property sales	Forecasts of right-to-buy sales are based on analysis, past experience and current trends.

Shared ownership properties

Shared ownership properties both completed and under construction are proportionally split between current and fixed assets, determined by the percentage of the properties to be sold under the first tranche sales. The amount held in current assets for completed shared ownership properties is £269,741 and the amount held in current assets for shared ownership properties under construction is £2,376,115.

12. Fixed asset investments

	2018	2017
	£'000	£'000
Loan to other group member	**4,395**	4,384
Total	**4,395**	4,384

The loan to the other group member relates to Rooftop Homes Limited. A long term inter-company loan facility of £13 million was provided in April 2004 to enable Rooftop Homes Limited to acquire properties from Rooftop Management Limited and Rooftop Housing Association and fund a five year development programme. The initial drawdown in April 2004 was £5 million to acquire the properties from Rooftop Management Limited and Rooftop Housing Association. Part of this original loan was repaid on the disposal of the Nuneaton properties in 2007. The loan must be repaid in full at the end of 30 years (2034) and interest is charged at a commercial rate.

13. Debtors

	2018	2017
	£'000	£'000
Amounts receivable within one year		
Rents and service charges	**1,890**	2,012
Less: provision for doubtful debts	**(460)**	(452)
	1,430	1,560
Social housing grant receivable	**1,960**	996
Amounts due from other group undertakings	**52**	35
Amounts due from parent undertaking	**498**	262
Other debtors	**1,154**	158
Prepayment and accrued income	**511**	117
	5,605	3,128

14. Cash at bank and in-hand

There were no specific charges on RHA's cash at bank and in-hand at 31 March 2018 or 31 March 2017.

15. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Housing loan repayable within one year	**3,570**	**3,579**
Recycled capital grant fund	**127**	**12**
Government grants	**7,559**	**4,701**
Trade creditors	**3,588**	**2,020**
Right-to-buy sale proceeds due to Wychavon District Council	**188**	**520**
Accruals in respect of repairs	**308**	**257**
Amounts payable on housing development and major repairs	**833**	**1,275**
Interest payable	**574**	**584**
Other taxation and social security	**45**	**26**
Amount due to other group undertakings	**50**	**108**
Corporation tax	**14**	**4**
Pension scheme contractual liability (note 18)	**120**	**115**
Other accruals	**947**	**3,031**
Total	**17,923**	**16,232**

16. Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Housing loans		
Repayable between one and two years	**7,070**	3,605
Repayable between two and five years	**15,210**	12,248
Repayable, otherwise than by instalments, in five years or more	**174,750**	168,524
Total loans repayable	**197,030**	184,377
Pension scheme contractual liability (note 18)	**530**	649
Government grants	**51,685**	51,971
Total	**249,245**	236,997

Housing loans are secured by specific charges on certain of RHA's housing properties. The interest rates are fixed between 3.9% and 6.6% or vary with market rates. As at 31 March 2018 the agreed facility is £268.9 million of which £200,559,949 (2017: £188,940,564) has been drawn down by RHA to date. The final loan is due for repayment by 2040.

Deferred income – Government grants	**2018** **£'000**	2017 £'000
At 1 April	**56,672**	53,913
Grants receivable net of disposals	**3,192**	3,366
Amortisation to statement of comprehensive income	**(620)**	(607)
At 31 March	**59,244**	56,672
Due within one year	**7,559**	4,701
Due after one year	**51,685**	51,971

17. Share capital

	2018	2017
	£	£
Shares of £1 each issued and fully paid		
At 1 April	**14**	16
Issued during the year	**-**	1
Cancelled during the year	**(1)**	(3)
At 31 March	**13**	14

The share capital of RHA consists of shares with a nominal value of £1, each of which carries no rights to dividends, or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid by them then becomes the property of RHA. So all shareholdings relate to non-equity interests and there are no equity interests in RHA. The group does not have any reserves in equity other than the revenue reserve.

18. Defined benefit pension liability

The Group has traditionally operated two defined benefit pension schemes, contracted out of the state scheme. These were closed from April 2014. The Group also operated two money purchase defined contribution schemes and a career average revalued earnings defined benefit scheme (CARE), but from April 2014 the Group only operates one defined contribution scheme. Contributions to pension schemes are determined in accordance with actuarial advice and calculated as a percentage of pensionable salaries.

For the defined contribution scheme the amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year which total £365,203 (2017: £387,434). This is charged to RHG and apportioned to subsidiaries via the Group Membership Agreement.

For the closed SHPS defined benefit schemes there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded. This liability is recognised in the RHA Statement of Financial Position and the resulting expense in the RHA Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

The Group participates in The Pension Trust – Social Housing Pension scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	
From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	
From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	
From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	
From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present value of provision

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	650	764	838

Reconciliation of opening and closing provisions

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Provision at start of period	764	838
Unwinding of the discount factor (interest expense)	9	16
Deficit contribution paid	(115)	(110)
Remeasurements - impact of any change in assumptions	(8)	20
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	650	764

Statement of Comprehensive Income impact

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	9	16
Remeasurements – impact of any change in assumptions	(8)	20

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

19. Capital commitments

	2018	2017
	£'000	£'000
Capital expenditure contracted for in respect of development expenditure, but not provided for in the financial statements.	33,244	39,030
Capital expenditure authorised by the Board, but not contracted for in respect of development expenditure.	51,160	77,872
Total	84,404	116,902
RHA expects to finance the above expenditure by:		
Social Housing Grant receivable	12,728	13,338
Property sales proceeds	31,058	32,541
Use of cash surplus plus loan funding	40,618	71,023
Total	84,404	116,902

20. Units

			2018	2017
	Owned and managed	Managed by others	Total	Total (Restated)
Under development at the end of the year				
Units for rent	320	-	320	349
Units for outright sale	4		4	-
	324	-	324	349
Under management at the end of the year				
General needs housing	4,834	-	4,834	4,770
Supported housing and housing for older people	605	128	733	736
Intermediate rent	14	-	14	15
Leasehold properties	162	-	162	164
Low cost home ownership accommodation	233	-	233	234
Managed on behalf of another landlord	-	-	-	1
Units for rent	5,848	128	5,976	5,920
Total units social housing	6,172	128	6,300	6,269
Retained freeholds and estate charges	287	-	287	281

Included in 2016/17 accounts were 34 Gypsy and Traveller units. As these are not classified as Social Housing, they have been removed from comparative figures.

21. Contingent liabilities and financial commitments

As part of the transfer agreement with Wychavon District Council, RHA provided various indemnities to the Council in respect of obligations that RHA had assumed on the transfer. In the view of the Board there is little likelihood of any liability arising in respect of these indemnities, and so no provision is reflected in these financial statements. RHA has no other outstanding contingent liabilities or financial commitments.

22. Related party transactions

During the year interest of £228,600 (2017: £228,600) was paid by another Group member, Rooftop Homes Limited (RHL). A management fee of £6,086,615 (2017: £5,705,227) was charged by the immediate parent undertaking, Rooftop Housing Group Limited. Rent and Service Charge income of £86,148 collected as managing agent (2017: £86,892) was paid over by another group member, Rooftop Support & Care Limited (RS&C).

Transactions with tenant Board Members are at arms length on normal commercial terms and they cannot use their position to their advantage. Rent charged to Board Members in the year was £16,135 (2017: £16,164) and the arrears at 31 March 2018 were £511 (2017: £0).

In August 2012 RHA became the sole corporate trustee of the Walker Hospital Trust. The Walker Hospital Trust is a charity which owns three properties and is a member of the National Association of Almshouses.

From October 2013 RHA became a shareholder in Fortis Property Care Limited which provides property services to the Group including responsive repairs, planned maintenance, grounds maintenance and gas servicing. The services are provided at cost and the amount charged to RHA during the year was £6,259,659 (2017: £5,911,600) and the balance owing at 31 March 2018 was £285,258 (2017: £0). As a result of this arrangement the Finance Director of RHA is a Director of Fortis Property Care Limited.

23. Legislative provisions

Rooftop Housing Association Limited is a wholly owned subsidiary of Rooftop Housing Group Limited. Rooftop Housing Group Limited is a Registered Society registered in England. RHA is incorporated under the Co-operative and Community Benefit Societies Act 2014, and is registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008.

24. Financial instruments

The carrying values of the Association's financial assets and liabilities are summarised by category below:

	2018	2017
	£'000	£'000
Financial assets		
Measured at undiscounted amount receivable:		
Rent arrears and other debtors (see note 13)	**4,544**	2,714
Cash	**19,072**	17,419
Amounts due from related undertakings (see note 13)	**550**	297
	24,166	20,430
Financial liabilities		
Measured at fair value through surplus or deficit:		
Loans payable (see note 15,16)	**18,000**	18,012
Measured at amortised cost:		
Loans payable (see note 15,16)	**182,600**	169,944
Measured at undiscounted amount payable:		
Trade and other creditors (see note 15,16)	**4,805**	3,990
Accrued Income	**123**	-
	947	3,031
Amounts owed to related undertakings (see note 15,16)	**50**	108
	206,525	195,085

The income, gains and losses in respect of financial instruments are summarised below:

Fair value gains and (losses)		
On housing loans measured at fair value through Statement of Comprehensive Income	**12**	23

Loans with Lenders Options are classified as non-basic financial instruments and total £18,000,000 (2017: £18,012,000). They are measured at fair value at the end of each reporting period with gains and losses arising from year to year being recognised in the Statement of Comprehensive Income. The prior year figures have been restated to include the Bad Debt provision and other accruals.

25. Post Balance Sheet Events

On the 3 April 2018, RS&C undertook a transfer of engagements. All activities have transferred to RHA as at this date.

Biographies of Board Members

Rachel Lathan (Tenant and Chair of RHA)

Rachel has been an RHA tenant for some years and lives in Badsey with her husband and young family. She balances a demanding family life with her job in sales and her involvement with Rooftop. Rachel first became an involved resident with Rooftop when she joined the newly formed Resident Action Team in 2010 and has risen rapidly to the position of RHA Chair. She was a 'Tenant of the Year' finalist in the 2012 Tenant Participation Advisory Service Awards. She has successfully completed a Governance Training course accredited through Derby University. Rachel is an active member of the local community and believes passionately in providing excellent housing.

Martin Holland, FCIH

Martin has worked in the housing sector for over 40 years and has experience in local authorities and the private sector, as well as housing associations. Martin retired from his role as Chief Executive at Shropshire Housing Group in 2013, where he had worked since the early nineties. He served as Regional Chair of the National Housing Federation (NHF) between 2003 and 2006, and in 2015 was elected to the Regional Committee of the NHF. Martin was appointed to the Board of the Rural Housing Advisory Group in 2011, advising the Homes and Communities Agency and Department for Communities and Local Government on rural housing issues.

Hilary Hobart

Hilary trained as an accountant in a firm of Chartered Accountants in Liverpool, which specialised in auditing organisations in regulated sectors. She gained a passion for housing and subsequently left the partnership to hold various finance posts and ultimately the post of Finance Director within the Liver Housing Group (now part of the Your Housing Group). In 1999 she moved to the Midlands to become the Finance Director & Company Secretary of the Accord Housing Group. She left the sector to be part of a management buy out of an IT infrastructure company and also became a voluntary Board Member of Ashram Housing Association for a period of two years. After a successful exit from her company and a four year career break to look after her twin boys, Hilary became a self-employed Finance Director for innovative start-up companies funded by venture capital investments.

Ceri Jones (Vice Chair of RHA)

After more than 30 years in teaching, Ceri retired from his post as Head Teacher of Bishop's Cleeve Primary School in 2000. The following year he was elected to Gloucestershire County Council as the member for Bishop's Cleeve and, in that role, has served on many committees both in Gloucester and locally. He was a member of the Council of the University of Gloucestershire for eight years and a Chairman of Cleeve Colts Football Club for 10 years. He has also chaired the Rooftop Residents Association in Bishop's Cleeve, which meets with both tenants and owner occupiers to discuss issues of interest and concern. In May 2013, Ceri decided to step down from the County Council.

Paul Kellard (Tenant)

Paul, born in Chester, has a career background in the Armed Forces and the Ministry of Defence. He currently works in Health and Social Care as a Residential Care Manager in a residential nursing home. He has been a Rooftop tenant for more than 20 years and, in recent years, he has been involved with the Rooftop Customer Panel and Resident Excellence Panel. Paul successfully completed a governance training course accredited through Derby University. Paul volunteers with the Alzheimer's Society as a fund raiser and Dementia Friends Champion. He has also undertaken training, as a Rooftop volunteer, to become a Dementia Friends Champion. He believes passionately in providing excellent housing to create strong communities, especially to an ageing population.

Rooftop
Housing Group

Rooftop Homes Limited

Annual Report and Financial Statements

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Rooftop Homes Limited
Annual Report and Financial Statements
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Contents

Board, executive and advisors

Registered office	70 High Street Evesham WR11 4YD
Board	- Martin Holland (Chair) - Hilary Hobart (Vice Chair) - Ceri Jones - Paul Kellard - Sheila Kettley (resigned 30 June 2018 - Rachel Lathan - Emma Wilson (co-optee) (resigned 13 September 2017)
Executive officers	- Boris Worrall, Group Chief Executive - Caroline Dykes, Finance Director (Secretary to 15 November 2017) - Sheila Morris, Secretary and HR Director (left 31 May 2017) - Ann Lindon, HR Director (left 31 January 2018) - David Hannon, Development Director - Juliana Crowe, Housing and Communities Director - Laura Crabb, People and Performance Director (from 2 October 2017) - Caroline Allen, Secretary (from 15 November 2017)
External auditor	BDO LLP 2 Snowhill Birmingham B4 6GA
Bankers	Barclays Bank Plc 54 High Street Worcester WR1 2QQ
Internal auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Principal solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2ES
Other legal advisors	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ

Lenders	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
	Lloyds Banking Group 25 Gresham Street London EC2V 7HN
	Legal and General Assurance Society Limited One Coleman Street London EC2R 5AA
	Santander Corporate & Commercial Banking 17 Ulster Terrace Regent's Park London NW1 4PJ
Funding advisors	JCRA (from 1 January 2018) 12 St James's Square London SW1Y 4LB
	Capita Asset Services (until 31 December 2017) 64 Gresham Street London EC2V 7NQ
Insurance brokers	Zurich Municipal Zurich House Ballsbridge Park Dublin 4 Ireland
Taxation advisors	RSM UK Tax and Accounting Temple Row Birmingham B2 5AF
Valuers	Savills Plc 19/20 City Business Centre 6 Brighton Road Horsham West Sussex RH13 5BB
Performance analysis	HouseMark Ltd 8 Riley Court Millburn Hill Road University of Warwick Science Park Coventry CV4 7JJ

Report of the Board

The Board is pleased to present the Report of the Board, the Strategic Report and the audited financial statements for the year ended 31 March 2018.

The reports and financial statements are prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity and Rooftop Housing Group Limited is the Group parent.

Group structure

Rooftop Housing Group Limited (RHG), the Group parent, is a non-asset holding, non-charitable Registered Society (29661R), registered with the Regulator of Social Housing (L4404), providing operational and corporate services, including treasury management, information and communication technology, and human resources for the whole Group.

Rooftop Housing Association Limited (RHA) was registered as a Registered Society in May 1993 (27786R) and obtained registration with the Regulator of Social Housing in September 1994 (LH4050). RHA provides core social housing that meets charitable criteria.

Rooftop Homes Limited (RHL) is an asset holding non-charitable Registered Society (29660R) registered with the Regulator of Social Housing (LH4405). It provides housing that falls within the definition of social housing including keyworker and registered care activities. It also owns and operates market rented stock, residential garages and garage courts.

Rooftop Support & Care Limited (RS&C) is a charitable Registered Society (25211R) and manages supported accommodation for young homeless adults, as well as providing support to older RHA residents. A transfer of all activities and assets from RS&C to RHA took place on 3 April 2018.

Rooftop Management Limited (RML) is a wholly owned commercial subsidiary company (Registered in England 3569438). This company became dormant from 31 March 2005.

Principal activities

The principal activity of RHL is to provide accommodation for keyworker accommodation. In addition, RHL provides accommodation for residential care, market and intermediate rent and garages. RHL is the most geographically diverse member of the Group, owning properties from Shrewsbury to Weston-Super-Mare.

RHL is also currently in the process of developing four units for outright sale in Broadway, Worcestershire.

Regulatory framework for social housing

The Board considers it a priority to comply with the regulatory framework and to maintain G1 and V1 ratings from the Regulator of Social Housing under the Governance and Financial Viability Standard. These were formally assessed by the Regulator through the In Depth Assessment process in January 2016 and reconfirmed in October 2017.

The Board has conducted a detailed self assessment exercise and considers that the Group remains compliant with the standards. As part of this the Board recognised the following factors:

- Board strategy event on 6-7 October 2017 reviewed Rooftop's vision, values and outcomes for tenants and potential tenants
- A new role of Head of Governance was introduced during the year to support robust governance oversight
- A Governance Improvement Plan was approved by the Boards in January 2018. The Plan will span 18 months and aims to strengthen existing governance arrangements
- Board appraisal system was reviewed for 2018 and changes were made to include 360° feedback for all Board Members, including a skills review
- Audit and Risk Committee terms of reference were reviewed and presented to Boards for approval in May 2018
- An upgraded risk function was established in June 2017 with the Head of Risk and Compliance and Risk and Compliance Officer leading on delivering an effective internal control framework
- Introduction of early warning indicators which are reported quarterly to Audit Committee and Executive Team
- During the year RHA obtained £50 million of new revolving credit facilities and the securitisation process was close to completion at year end
- At 31 March 2018 RHA had 49 months until new funding was required, and RHL had 23 months
- A new Treasury team has been created including a Treasury Manager to help ensure Rooftop can maintain monitoring and reporting with an increased number of funders
- All regulatory returns (FVA, SDR, Quarterly Returns, FFR, Fraud) have been submitted to the regulator's deadline
- Asset data is held on all dwellings within an Asset Performance Evaluator, a live tool used to measure present values on all stock and informs investment and disposal decisions. Board received update on Asset performance in November 2017 showing an average net present value of £52,000 per unit
- Resident Excellence Panel scrutinises Rooftop services to its residents, through a programme of scrutiny reviews and to act as a source of assurance
- Piloted Sector Scorecard and adopted this as our core value for money tool for 2018/19.

Internal controls

The Group Board is responsible for the overall system of internal control throughout the Group and for reviewing its effectiveness. The Group Board has delegated initial responsibility audit and assurance functions to the Audit Committee, which comprises Board Members from across the Group. The members of the Audit Committee are chosen for their appropriate skills, while representing the composition of the Group.

The Audit Committee has responsibility for reviewing the adequacy of all risk and control related statements prior to endorsement by the relevant Boards and reviewing the effectiveness of internal control systems, including management, financial, operational and risk controls, so that the Group can be reasonably assured that appropriate and effective risk management arrangements are in place.

Work undertaken by the Audit Committee during the year included:

- Financial reporting, including the integrity and appropriateness of financial statements
  - Reviewed the statutory accounts and external audit findings
  - Reviewed the performance of the External Auditors (BDO) during 2017/18 and the 2017/18 final accounts timetable
  - Approved the 2017/18 Accounting Policies.
- Risk management process and framework
  - Approved the reporting, by exception, of performance indicators to give assurance that the risk process is effective

- Discussed the quarterly reports on significant risks including the key performance indicators, challenged the early warning indicators and sought assurance on the accuracy of the assessments and the controls
- Reviewed the annual update on insurance, noting the level of cover, claims record and estimated renewal costs.

- Internal and external audit functions
  - Approved the Audit Committee annual reporting cycle
  - Reviewed the scopes for individual internal audits prior to fieldwork and ensured that the work being undertaken addressed key business risks
  - Reviewed the summary report on internal controls presented by the Internal Auditors (Beever and Struthers) and noted the overall status of 'substantial' assurance. Substantial assurance was achieved based on 70 audit days of work covering 16 (eight strategic and corporate, four financial and four operational) internal audit areas. There were three 'full assurance' opinions in the areas of health and safety – gas safety, budgetary control and housing management system project review. There were no 'limited assurance' or 'no assurance' opinions given during the year. All 13 other reports were given 'substantial assurance' opinions
  - Reviewed the internal audit tender exercise and recommended the appointment of Mazars as Internal Auditors for a period of five years
  - Approved the Internal Audit five-year plan to be conducted by Mazars from 1 April 2018.
- Compliance, whistleblowing, fraud, anti-bribery, asset and liability registers and stress testing
  - Reviewed the tenancy fraud policy and recommended approval by the Board
  - Reviewed the fraud registers (tenancy and general) prior to each Audit Committee meeting and noted that there were no exceptional items.
  - Reviewed the gifts and hospitality register prior to each Audit Committee meeting and noted that there were no exceptional items
  - Reviewed the governance improvement plan and noted progress
  - Reviewed the General Data Protection Regulation (GDPR) update and noted action plan progress
  - Reviewed and noted key areas highlighted in an analysis of regulatory governance downgrades elsewhere in the sector
  - Reviewed the results of the internal controls self-assessment carried out by the Leadership Team and requested quarterly updates on actions being taken to improve areas of concern
  - Reviewed the annual anti-money laundering company-wide risk assessment and noted the 'low' risk status
  - Approved the annual report on the effectiveness of the Audit Committee and its terms of reference.
- Resident Excellence Panel
  - Approved the Resident Excellence Panel's updated three-year plan, and the final report on the empty homes (void) standard scrutiny review
  - Approved the Resident Excellence Panel's repairs and responsibilities scrutiny review report containing recommendations to improve the experience for residents whilst delivering value for money
  - Approved the review of 'empty homes (void) standard and 'service charges in communal areas' as the first items in the developing three-year Residence Excellence Panel review plan
  - Reviewed and noted the status of the actions from the Resident Excellence Panel's reviews of 'continuity in resident enquiries', 'cost sharing vehicle' and 'repairs responsibilities'
  - Reviewed the Residence Excellence Panel's scrutiny reviews action plan and noted progress with the actions.

There were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.

General Data Protection Regulation

The Board recognises the importance our customers and stakeholders place on our use of their personal data and that we are transparent and accountable in the ways we collect, use and safeguard it.

Rooftop is mindful of the requirement to comply with the new General Data Protection Regulation (GDPR) and Data Protection Act 2018 which came into effect on 25 May 2018 and therefore has taken steps to ensure our staff and partners are aware of our obligations, by undertaking mandatory training and increasing awareness at all levels within the organisation. We have ensured our third party partners, who process personal data on our behalf, have security and compliance at the forefront of their work for us by way of legal agreements and audit of their systems.

We have also reviewed our own compliance with the GDPR and Data Protection Act 2018 and are of the view that there has been no material non-compliance with the legislation following implementation. Notwithstanding, and in line with good practice, Rooftop continues to keep the organisation's compliance under review.

Code of governance

The Board has formally adopted the National Housing Federation's Code of Governance (2015), and Code of Conduct (2012). The Board has formally assessed its compliance against the Code of Governance and confirms that the organisation is fully compliant.

Governance

RHL is governed within the framework set by its rules as a Registered Society. These state that RHL will have a Board and determine its membership. In making appointments to the Board, the Group seeks members with a range of skills that it requires to effectively govern its business.

Rooftop Board Members are carefully selected to make sure that they have the mix of skills and experience appropriate to their roles within the Group.

Board Members' responsibilities

The Board Members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board Members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the Board Members. The Board Members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue as auditors. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Employees

Within the Group structure all staff are employed by RHG, the Group parent. RHG is committed to promoting equality of opportunity in its employment practices. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

The Group has continued its practice of consulting and keeping employees informed on matters that affect them and on the progress of the Group. This is carried out in a number of ways including: formal consultation with the employee forum, departmental meetings and a company-wide briefing session.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. It reviews its health and safety policy and statement on an annual basis, has prepared health and safety procedures to support compliance and a Safety Committee has been established. All staff receive a detailed health and safety induction on commencement and a programme of training on health and safety matters is ongoing. For 2018, a wholescale review of the Group's health and safety management has been commissioned.

Insurance

RHG maintains insurance policies for members of the Board and executive directors against liabilities in relation to the Group.

Going concern

The Board considers that it has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the 'going concern' principle in the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 26 September 2018.

By order of the Board

Martin Holland
Chair
18 July 2018

Strategic report

The Strategic Report sets out the overall strategy of Rooftop Housing Group and its subsidiaries, along with specific information relating to RHL.

Why we do what we do

Rooftop is characterised by people with passion and purpose. It's at the heart of everything we do and every decision we make. Our 'profit for purpose' approach underpins our goals to:

- Build great, sustainable, affordable homes
- Support successful, healthy lives
- Create a better business for the future.

2018/19 sees the launch of a new five-year plan for Rooftop. Our aim is to reshape the business to adapt to emerging customer need and the changing external environment. We will continue to build on our proud history and heritage, whilst realigning towards an ambitious plan for growth and evolution.

We have set out our Vision for 2023 and our detailed plans for 2018/19, including preparing for growth through transformation. We recognise the need to develop the Rooftop offer and become a truly modern, social and dynamic business that has the capacity to respond to opportunity. 2018/19 is our 'get ready' year.

Building on our strengths

Rooftop is a group of people with a strong sense of purpose. For many years we have benefitted from a good reputation based on our successful track record and a history of strong performance. It's a good place to work and we plan to make it great by building high performing teams within a first-class organisation. We have built a solid knowledge bank in our staff, who are well networked and have good experience in their fields.

Our robust and disciplined approach to governance and strong financial performance mean that we retain the highest regulatory rating for governance and continue to deliver excellent Value for Money. We build houses to exceptional quality and design and take a proactive approach to land banking. The value and condition of our assets is high.

We have developed highly regarded specialist support services for younger people, older people, gypsies and travellers, and victims of domestic violence. Our customers appreciate our strong service culture and commitment to involvement and listening.

Capitalising on opportunities

We are seeing growing demand for our services, changes in the external environment and increased levels of need. We can respond to the developing housing crisis, ageing population and increases in homelessness through the provision of specialist accommodation and services. We do so by delivering as many homes as we can, including properties for shared ownership and market sales to meet aspiration as well as need.

As customer behaviour and service delivery expectations evolve, we are responding by encouraging our customers to self-service and direct delivery, and by digitising our approach to work. We will commit to harnessing technology for the good of our customers and colleagues.

We are capitalising on our ability to scale by seeking partnerships of mutual benefit where goals and values are shared. We will continue to strengthen our relationships with local authorities and funders, building a strong network of stakeholder partners. We will maintain robust arrangements with our suppliers and support providers, securing longevity of contracts and high levels of service.

Adapting our business

Building a modern, dynamic, social business that is fit for the future will require profound change in the way that we work. We have begun to evolve the Rooftop operating model to enable us to harness the power of technology, innovation and agility. We are reducing complexity and bureaucracy in our business, focussing our work programme and integrating our strategies.

By realigning our group structure and our financial arrangements to our future direction and by moving to a more focussed portfolio we can continue to grow and consolidate our place-based core in South Worcestershire and North Gloucestershire.

We will build a succession plan and a talent framework with our staff, devolving decision-making to create an environment of empowerment with leaders at every level.

How we work

Everything we do, for our customers and for each other, is underpinned by our values.

We work together

- We talk
- We listen
- We network

We make things better

- We solve
- We learn
- We evolve

We do the right thing

- We own
- We support
- We act!

The building blocks to 2023

The core strategic objectives for 2023 will be underpinned by a suite of five-year strategies covering the development of our property portfolio, customer engagement and business performance. The strategies will be realised on a year-to-year basis through the delivery of annual action plans, supported by robust performance management with a renewed set of KPIs from 2018.

STRATEGIC OBJECTIVES (5 Year)		
GREAT HOMES 1,000+ Homes Garden Village	**SUCCESSFUL LIVES** 4,000 Customers Supported 90% Customer Satisfaction	**BETTER BUSINESS** Top 10 Company 40+% Social Lettings Operating Margin

Our commitments in 2018/19

We will build great homes

As the organisation responds to the ever present and growing need for more affordable, well designed, well located homes, we will respond by identifying development opportunities in our key areas of operation. We will create an environment that supports the delivery of 311 homes this year whilst gearing up to the expectation of building **1000+ new homes by 2023**.

We will identify and secure a rolling **5-year land bank**, where we will look to deliver multi-tenure sites that deliver our core objective and offer a mix of homes suitable for a range of purchasers who require and demand well built homes to a high standard with a great level of customer service offering them affordable places to live. We deliver outright sales homes to generate cross subsidy and in doing so we will explore the merits of creating a **Development Company**.

During 2018 we will also investigate sites large enough to accommodate our **Garden Village** ambition for 2023. This year will also see our ambitious **Almonry** redevelopment scheme start on site, and the launch of an exciting new regeneration partnership at **Bishop's Cleeve**.

We make a step change in optimising the value of our existing asset portfolio and will move to an area-based repairs service whilst introducing a satisfaction survey matrix. Through these changes we will deliver customer **satisfaction rates to 90%** for both repairs and our wider services as a landlord. In 2018/19, we will seek to achieve EPC band E across our portfolio as part of an ambition to move towards the majority of our homes being at Band B by 2023.

We will support successful lives

2018 will see a step-change in the way we coordinate our customer offer through the launch of a new **Service Delivery Framework** (SDF). The SDF will allow appropriate balance between core and specialist services and ultimately improve the customer experience. This will be supported by our 'digital by design' approach and reinforced with the implementation of our new **'Rooftop Together'** service standard based on leaner processes and whole-patch ownership.

In 2017 we outlined our ambition to create a centralised, real time solution for customer engagement, and we began work on a project to implement a bespoke **Housing Management System** (HMS). We have identified a challenging target to support **80% of customers to access our services digitally**. The HMS will enable Rooftop to offer an easy to use self-service environment for its staff and customers. With greater flexibility (out of hours) and scope, improving financial inclusion and delivering more efficient and cost-effective provision of services, HMS will launch in Autumn 2018.

In 2018 we will review customer engagement across the organisation, continuing to monitor customers affected by the implementation of Universal Credit and welfare reform. Our ambitious income targets for this year include holding **rent arrears at 3%** and reducing our **re-let time to 12 days for general needs**.

Our programme of support-based services for customers remains at the heart of our 'profit for purpose' approach. In 2018 we will seek to secure further funding and certainty for these services towards 2023. Our **Community Investment Strategy** also outlines a range of specialist services for young people, older people, Gypsy and Traveller communities, armed forces personnel and people affected by domestic abuse. We are proud to be achieving significant results through these services and will be working with Government to advise at a national level during 2018.

We will create a better business

In 2018, a **Governance Improvement Plan (GIP)** will enable us to evolve the structure, governance, policies and procedures and practices we will need to deliver our 2023 Vision. Our focus will be enabling a more agile and flexible business environment and continued compliance with all regulatory and statutory requirements. The Board will review proposals during 2018 to evolve towards the optimum group and funding structure. We will continue to pursue **Value for Money** through the implementation of the Sector Scorecard.

We will continue to strengthen our **risk** systems, engagement, reporting and tools and ensure that business activity takes place within the risk appetite set by the Board. We will continue to strengthen our approach to keeping customers and colleagues safe. Development of **Health & Safety** reporting will continue during 2018 and compliance policy reviews will be undertaken to provide assurance and facilitate corrective action.

We will continue to enhance our **technology** systems and digital working environment to enable mobile and agile working, and drive to digitise processes and communication across the business. The implementation of our new **Housing Management System** (HMS), Customer Relationship Management capability, electronic document management and mobility software will enable us to serve more customers in a timely and efficient manner. We will introduce 'any day' direct debits and tenancies and ensure that the HMS better enables the tenant payment process.

Communication with and between our people will continue to be a priority in 2018 and will be supported by the implementation of a new web-based intranet service (Facebook Workplace) for staff and Board Members. Externally we will continue our work to redevelop the Rooftop **website and social channels** in support of our goal to reinforce our brand as a modern, social and dynamic business. A new stakeholder management approach will be developed in 2018.

Key activities

The principal activity of the Group is to provide housing accommodation at affordable rents for people in housing need. Rooftop Housing Group Limited is the parent company of the Group and the legal nature of each entity in the Group is disclosed in the Report of the Board. Rooftop Housing Association Limited provides an inter-company loan to Rooftop Homes Limited as disclosed in note 12 of the financial statements of Rooftop Housing Association Limited.

This core social housing lettings activity represents 93% of Rooftop's turnover (2017: 93%). The next most significant elements of the business are shared ownership sales (4% of turnover; 2017: 3%) and supporting people (2% of turnover; 2017: 2%). Other activities are negligible.

Financial performance

Rooftop Homes Limited

RHL, the Group's provider of keyworker accommodation, residential care, market and intermediate rent and garages, has generated a surplus of £0.2 million, a decrease on the previous year (£0.6 million). The main reasons for the decrease were:

- £0.2 million increased charges from the group parent
- £0.2 million movement in fair value of investment properties. An £85,000 reduction in 2017/2018 compared to a £134,000 gain in 2016/2017
- £0.1 million increase in void loss, mainly relating to the keyworker schemes at Shrewsbury Royal Hospital and Worcestershire Royal Hospital.

RHL's turnover fell by £0.4 million. This was mainly (£0.3 million) due to one-off income released from sinking funds at Worcestershire Royal Hospital in 2016/2017, offsetting additional expenditure on furniture. This was a one-off and did not continue in 2017/2018. The remaining £0.1 million fall in turnover is due to the increased voids at Shrewsbury Royal Hospital and Worcestershire Royal Hospital.

RHL's operations have been stable and there has been no change to its property portfolio.

A key project for the Group in 2018/19 will be to review the Group structure and the role of RHL within it. The geographic spread of RHL's stock poses operational challenges, and RHL holds assets well outside Rooftop's normal core operating area of Worcestershire and Gloucestershire. RHL is actively reviewing its entire portfolio; in particular, RHL is pursuing a disposal of the schemes at Nuneaton and Biddulph.

Whilst RHL owns a broad range of stock types and locations, its main activity is keyworker accommodation, with three hospital sites collectively accounting for 71% of RHL's turnover in the year. The major contributor was Shrewsbury Royal Hospital (£1.0 million turnover, 38% of total), with Worcestershire Royal Hospital (£0.5 million, 17%) and Weston General Hospital (£0.4 million, 16% of total) also significant.

During 2017/18 RHL began construction of a small open market development of four homes in Broadway, Worcestershire, on the site of a disused garage court. The expected profits from the sales will create additional capacity within RHL. More importantly, the development is intended as a managed way of testing and developing Rooftop's skills in developing open market sales units, which is intended to be an important source of cross-subsidy for social housing in the future.

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.

Last year's performance targets

Last year, we set 13 targets for the year. Results are given below. We have achieved eight of the targets.

New homes built (as a percentage of current stock) was based on us achieving 112 completions. This measure matches regulatory metric 2a. Our actual number of completions against this definition was 75. We also achieved practical completion on a further 35 homes, but these were not in management at year end as further work was required to communal areas, and four gypsy and traveller pitches.

Satisfaction with repairs and maintenance was below our target, based on surveys of a sample of all customers. Throughout the year, we have separately monitored satisfaction levels of customers who have actually had a recent repair and found satisfaction to be significantly higher, at 88%. Satisfaction with our services as a whole was 89.5%, just below our 90% target.

There is an overlap between our previous metrics and the new Sector Scorecard. We will be using the Sector Scorecard as our main performance framework in the future.

2017/18 targets	2016/17 result	2017/18 target	2017/18 result	Target achieved?
Overall satisfaction with services	92.1%	90.0%	89.5%	No
New homes built (as a percentage of current stock)	0.7%	1.6%	1.2%	No
Average energy efficiency rating of our homes (SAP)	71.5	71.7	72.7	Yes
Operating margin	44.7%	40.2%	41.1%	Yes
Housing management (cost per home)	£187	£205	£218	No
Major works and cyclical maintenance (cost per home)	£796	£977	£958	Yes
Responsive repairs and void works (cost per home)	£533	£542	£524	Yes
Estate services (cost per home)	£102	£113	£117	No
Overhead costs as a percentage of turnover	9.5%	11.6%	11.5%	Yes
Rent collected	99.6%	99.8%	99.9%	Yes
Average time to re-let empty social homes (days)	14.3	14.0	12.4	Yes
Satisfaction with repairs and maintenance	86.1%	87.0%	75.2%	No
Satisfaction with new homes	95.0%	97.0%	100.0%	Yes

Principal risks and uncertainties faced

Rooftop has a comprehensive and well-established risk management system, which allows risks to be identified for all parts of the business process. Risks are assessed, prioritised and control measures are implemented.

The increasing pace of internal and external business activity requires continuous review of business and project risks. During 2018/19 we will strengthen our internal control environment with better use of existing risk management tools and a better system to extract value from risk management activity.

The risk process is dynamic with risks being reviewed quarterly. Currently the following key business risks have been identified that could impact the achievement of business objectives.

Title	Description	Mitigation
Safety of Staff/Residents Safeguarding of staff/residents	Our number one objective is to develop and maintain a high level of safety both for employees and external partners who help deliver our services and to our customers and other stakeholders who receive those services.	Health and Safety is maintained by continuously improving embedded controls, review, swift corrective actions and monthly reporting.
Cost Sharing Vehicle	Cost Sharing arrangements with Fortis Living deliver Value Added Tax (VAT) savings on labour costs associated with both responsive and planned maintenance. These savings are now at risk due to HM Revenue & Customs (HMRC) reviews and the planned merger of Fortis and Waterloo.	HMRC's guidance is that existing cost sharing groups set-up by housing associations can continue for the time being. Options are being considered by the Board.
Housing market sales exposure	RHL is currently developing four homes for sale in Broadway, Worcestershire.	Rooftop has in place a risk appetite set by the Board to limit maximum exposure, a marketing strategy to ensure sales are achieved as planned, early warning indicators to assess changes in the market and contingency in place to protect social assets if the risk materialises. Rooftop has experience of developing in Broadway, a desirable Cotswolds location.
Debt refinancing	RHL has a revolving credit facility of £2.3 million expiring in 2020. Our ability to refinance will be dependent upon our credit standing and the state of the financial markets at the time.	Rooftop has in place a risk appetite set by the Board to limit maximum exposure and monitors exposure monthly. Current exposure is significantly below the risk appetite. Work on refinancing will take place in the year.
Regulatory downgrade: Governance Financial viability	Rooftop received an In-Depth Assessment from the Regulator of Social Housing in January 2016. This confirmed Rooftop's top ratings for governance and financial viability (G1/V1).	The Board considers it to be a priority to retain these G1/V1 ratings in the future and is continually enhancing governance, risk and compliance.
Differential inflation	Keyworker rents are contractually linked to specific inflation indices; market rents are dependent on changes in the market. If costs change at different rates to income, this has the potential to impact on net income and hinder the achievement of the financial business plan.	Value for money initiatives have been incorporated into the budget and business plan and these are monitored to ensure good cost control. Rooftop has carried out multi-variate stress testing which includes the effects of inflation and has a defensive plan which can be enacted in the event of unforeseen costs.
Projects	A significant proportion of Rooftop's plan is to be delivered via special projects with associated delivery, cost and scope risks.	Key projects will only commence following the approval of an investment paper. Key deliverables and milestones will be tracked by a project control group, financial monitoring and risk management.

By order of the Board

Martin Holland
Chair
18 July 2018

Independent auditor's report to the members of Rooftop Housing Limited

Opinion

We have audited the financial statements of Rooftop Housing Limited ("the Association") for the year ended 31 March 2018 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board Members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Board Members responsibilities statement set out on page ..., the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA
26 July 2018
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	**2018 £'000**	2017 £'000
Turnover	2	**2,743**	3,127
Operating costs	2	**(1,503)**	(1,573)
Operating surplus	2	**1,240**	1,554
Surplus on disposal of property, plant and equipment	4	**-**	-
Interest receivable	8	**1**	1
Interest and financing costs	9	**(926)**	(957)
Movement in the fair value of investment properties	11	**(85)**	134
Surplus before tax	7	**230**	732
Taxation	10	**(67)**	(153)
Surplus for the year		**163**	579
Total comprehensive income for the year		**163**	579

The notes on pages 24 to 38 form part of these financial statements.

Statement of Financial Position
As at 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Housing properties	11	**19,409**	19,599
Investment properties	11	**2,933**	3,017
		22,342	22,616
Current assets			
Properties held for sale		**506**	22
Debtors receivable in one year	12	**135**	139
Cash	13	**425**	897
		1,066	1,058
Creditors: amounts falling due within one year	14	**(1,815)**	(1,499)
Net current liabilities		**(749)**	(441)
Total assets less current liabilities		**21,593**	22,175
Creditors: amounts falling due after more than one year	15	**(18,481)**	(19,186)
Provision for liabilities and charges	16	**(62)**	(101)
Net assets		**3,050**	2,888
Capital and reserves			
Share capital	17	**-**	-
Revenue reserve		**3,050**	2,888
Total reserves		**3,050**	2,888

The notes on pages 24 to 38 form part of these financial statements.

The financial statements were approved by the Board on 18 July 2018 and were signed on its behalf by:

Secretary	**Board Member**	**Board Member**

Statement of Changes in Reserves
For the year ended 31 March 2018

	Revenue reserve	Total
	£'000	£'000
Balance as at 1 April 2016	2,309	2,309
Surplus for the year	579	579
Balance at 31 March 2017	2,888	2,888
Surplus for the year	163	163
Balance at 31 March 2018	**2,725**	**2,725**

The notes on pages 24 to 38 form part of these financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice). This includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity.

Group accounts

The consolidated financial statements for Rooftop Housing Group Limited incorporate the financial statements of Rooftop Housing Association Limited, Rooftop Homes Limited, Rooftop Support and Care Limited and Rooftop Management Limited. These entities are all subsidiaries within the meaning of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Localism Act 2011.

Year end

The group's ordinary year end date is 31 March.

Going concern

The financial statements will be prepared on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

After making enquiries and reviewing the financial plan, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rental and service charge income, fees and grants receivable.

Service charges

The Association operates variable and fixed service charges depending on the requirements of the respective tenancy agreements. Where the charge is variable an assessment is made of whether costs have been over or under recovered and an appropriate prepayment or accrual provided for in the accounts.

Housing Properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of the properties is their purchase price together with improvement costs and incidental costs of acquisition, including capitalised interest and development administration.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

General Needs	100 years
Sheltered and Supported	100 years
Non-traditional	15 years
Garages	25 years
Leasehold property	Over life of the lease
Shared ownership	100 years

Component Accounting

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Roofs	75 years
Windows	40 years
Doors	40 years
Boilers	15 years
Kitchens	20 years
Bathrooms	30 years
Heating	30 years
Electrics	30 years
Lifts	30 years

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred into housing properties when completed.

Land donated, or acquired below market value is included in cost at its valuation, with the donation treated as a capital grant when it relates to a specific project.

The market rent properties are investment properties in accordance with FRS 102 and are not depreciated but are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Impairment

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell.

Capitalisation of interest

Interest on the loan financing a development is capitalised from the purchase of land or property and/or the start on site up to the date of practical completion. No interest is capitalised on land purchased for future developments.

Major and cyclical repairs and maintenance

The Group only capitalises major repairs expenditure on housing properties where it increases the net rental stream by:

- extending its useful economic life or
- the improvement enables a higher rental income to be charged.

All other major repairs expenditure is charged to the statement of comprehensive income as incurred.

Provisions

The Association only provides for contractual and constructive liabilities where it has a present obligation to transfer economic benefits as a result of past events, it is probable that a transfer of economic benefit will result and a reliable estimate can be made of the amount of the obligation.

Leased assets

Rentals paid under operating leases are charged to the statement of comprehensive income in the period to which they relate. There are no finance leases.

Value Added Tax (VAT)

The Group is VAT registered but the majority of its income, being housing rents, and right to buy sales, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is deducted from lettings expenditure. From October 2013 RHA, RHL and RS&C became members of a cost sharing group which provides property repair services to the Group.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 102.

Deferred tax is not provided for in respect of gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over, or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

Financial Instruments

Basic financial instruments which meet the necessary conditions of FRS 102 are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method with interest charges recognised as an expense in the Statement of Comprehensive Income. Financial Instruments classified as non-basic are measured at fair value at the end of each reporting period with gains and losses arising from year to year being recognised in the Statement of Comprehensive Income.

Service charge sinking funds

Unutilised contributions to service charge sinking funds are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund.

Bad Debt Provision

Former tenant arrears are provided for in full in the bad debt provision. Current tenant arrears are provided for on a percentage basis based on the age of the debt.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and labilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to account estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Management have also considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment.

Development expenditure

The Group capitalises development expenditure in accordance with the stated accounting policy. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of non-basic financial instruments. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual price that would be achievable in an arm's length transaction at the reporting date.

Pension costs

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

2. Particulars of turnover, operating costs & operating surplus

	2018			2017		
	Turnover	**Operating costs**	**Operating surplus**	Turnover	Operating costs	Operating surplus
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Social housing lettings	**2,246**	**(1,345)**	**901**	2,634	(1,464)	1,170
Activities other than social housing	**497**	**(158)**	**339**	493	(109)	384
Total	**2,743**	**(1,503)**	**1,240**	3,127	(1,573)	1,554

3. Particulars of income and expenditure from social housing lettings

	Keyworker £'000	Other £'000	2018 Total £'000
Rent receivable net of identifiable service charges	1,396	307	1,703
Service charge income	543	-	543
Turnover from social housing lettings	**1,939**	**307**	**2,246**
Management	264	85	349
Services	417	6	423
Routine maintenance	252	53	305
Planned maintenance	4	-	4
Rent losses from bad debts	(8)	3	(5)
Depreciation of housing properties	240	29	269
Operating costs on social housing lettings	**1,169**	**176**	**1,345**
Operating surplus on social housing lettings	**770**	**131**	**901**
Rent losses from voids	**232**	**30**	**262**

	Keyworker £'000	Other £'000	2017 Total £'000
Rent receivable net of identifiable service charges	1,445	317	1,762
Service charge income	872	-	872
Turnover from social housing lettings	2,317	317	2,634
Management	157	39	196
Services	821	15	836
Routine maintenance	122	27	149
Planned maintenance	-	-	-
Rent losses from bad debts	14	2	16
Depreciation of housing properties	238	29	267
Operating costs on social housing lettings	1,352	112	1,464
Operating surplus on social housing lettings	965	205	1,170
Rent losses from voids	138	25	163

4. Sale of housing accommodation

	2018 £'000	2017 £'000
Property disposals		
Receipts from sale of housing property	-	-
Book value of properties sold	-	-
Other operating costs and costs of disposal	-	-
Surplus on sale of property	-	-

5. Directors' emoluments and expenses

The directors are defined as the members of the Board and the executive officers as given on page 1. The directors are employed and paid by Rooftop Housing Group Limited and these details are presented in the parent company accounts.

6. Employee information

RHL does not directly employ any staff. All staff in the Group are employed by the parent Rooftop Housing Group Limited. The details are provided in the parent company accounts.

7. Surplus before taxation

	2018 £'000	2017 £'000
The surplus before taxation is stated after charging		
Depreciation	302	301
External auditor's remuneration (excluding value added tax)		
- in their capacity as auditor	2	2

8. Interest receivable

	2018 £'000	2017 £'000
Bank interest	1	1

9. Interest and financing costs

	2018 £'000	2017 £'000
Bank loans and overdrafts	686	718
Total interest payable on loans from another group undertaking	240	239
Total	926	957

Total interest payable of £925,532 includes £10,912 in respect of adjustments of basic financial instruments to effective interest rate.

10. Taxation

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on surplus for the period	106	169
Adjustment in respect of previous periods	-	-
Total current tax	106	169
Deferred tax:		
Origination and reversal of timing differences	(32)	(9)
Adjustment in respect of prior periods	(7)	-
Effect of change in tax rate on opening liability	-	(7)
Total deferred tax	(39)	(16)
Tax on surplus on ordinary activities	67	153

Factors affecting tax charge for the period

The tax assessed for the period is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%) as explained below:

	2018 £'000	2017 £'000
Surplus on ordinary activities before tax	271	732
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	44	146
Effects of:		
Expenses not deductible for tax purposes	8	
Fixed asset differences	36	30
Capital gains chargeable for the period/(losses)	(18)	9
Adjust deferred tax rate to average rate	4	(5)
Income not taxable for tax purposes	-	(27)
Adjustment in respect of previous periods-deferred tax	(7)	-
Total tax charge for the period	67	153

RHL is recognised by HM Revenue & Customs as an investment company for taxation purposes.

11. Tangible fixed assets

Cost or valuation	Housing properties for lettings £'000	Investment properties £'000	Total £'000
At 1 April 2017	22,728	3,017	25,745
Works to existing properties	16	-	16
Additions	98	-	98
Disposals	(3)	-	(3)
Revaluation	-	(84)	(84)
At 31 March 2018	**22,839**	**2,933**	**25,772**
Depreciation			
At 1 April 2017	3,129	-	3,129
Disposals	(1)	-	(1)
Charge for the year	302	-	302
At 31 March 2018	**3,430**	-	**3,430**
Net book value at 31 March 2018	**19,409**	**2,933**	**22,342**
Net book value at 31 March 2017	19,599	3,017	22,616
Cost or valuation at 31 March 2018 is represented by:			
Gross cost	22,839	1,999	24,838
Revaluation	-	934	934
Total	**22,839**	**2,933**	**25,772**

The net book value of social housing properties held on a long term lease is £2.0 million (2017: £2.0 million).

Investment properties, which are all freehold, were valued to fair value at 31 March 2018 based on a valuation undertaken by Savills, Chartered Surveyors. Housing properties for lettings are accounted for at historic cost but have been valued for funders' purposes at £30.3 million as follows:

RHL's housing stock and other assets have been valued on the basis of market value, subject to leases and tenancies (as appropriate). This assumes that: in the case of the private rented stock that properties could be sold on the open market with vacant possession following termination of the assured shorthold tenancies; in the case of the keyworker properties and residential care home the capitalised net income arising from the various lease arrangements; and the garages on the basis of capitalised net income assuming continued existing use. The garages valuation also takes into account the redevelopment potential at a number of sites.

Varying assumptions such as discount rate have been used reflecting the characteristics and methodology applicable in each case.

Savills, Chartered Surveyors, carried out the valuation in accordance with the RICS Valuation – Professional Standards manual. The valuer is 'external' and the valuation is as at 31 March 2018. The total value of all housing properties including investment properties is £33.7 million (2017: £33.3 million).

Properties under construction for outright sale total £98,064 and are shown in current assets.

Gross expenditure on components was £10,076 and the net book value of replaced components written off was £2,739.

Total expenditure on works to existing properties:

	2018 £'000	2017 £'000
Amounts capitalised - replacement of components	**19**	5
	19	5
Amounts charged to statement of comprehensive income	**4**	-
Total	**23**	5

12. Debtors

	2018 £'000	2017 £'000
Amounts receivable within one year		
Rents and service charges	**136**	143
Less: provision for doubtful debts	**(58)**	(50)
	78	93
Amounts due from parent undertaking	**-**	-
Amounts due from other group undertakings	**-**	-
Prepayments and accrued income	**57**	46
Total	**135**	139

13. Cash at bank and in-hand

There were no specific charges on RHL's cash at bank and in-hand at 31 March 2018 or 31 March 2017.

14. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Housing loan repayable within one year	**716**	690
Trade creditors	**131**	169
Interest payable	**98**	43
Corporation tax	**20**	15
Amounts due to parent undertaking	**173**	13
Amounts due to another group undertaking	**52**	35
Other accruals	**625**	534
Total	**1,815**	1,499

15. Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Housing Loans		
Repayable between one and two years	**1,934**	701
Repayable between two and five years	**2,469**	3,495
Repayable, otherwise than by instalments, in five years or more	**9,683**	10,606
Loan from another group undertaking, repayable in five years or more	**4,395**	4,384
Total loans repayable	18,481	19,186

Housing loans are secured by specific charges on certain of RHL's housing properties. The interest rates are fixed between 4.5% and 6.4% or vary with market rates. Of the £5.5 million facility agreed with Nationwide Building Society, and £13 million facility agreed with RHA, £5,200,000 and £3,810,000 has been drawn down respectively (2017: £5,516,278 and £3,810,000). The total long term loan facility for RHL at 31 March 2018 is £29.1 million which includes a £11.9 million facility with Lloyds Bank of which £9,600,000 (2017: £10,000,000) has been drawn down and is due for repayment by 2039.

16. Provisions for liabilities and charges

	2018 £'000	2017 £'000
Deferred taxation		
At 1 April	**101**	117
Charge for the period	**(39)**	(16)
At 31 March	**62**	101
The deferred taxation provision comprises:		
Other timing differences	**3**	26
Accelerated capital allowances	**59**	75
At 31 March	**62**	101

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 102.

17. Share capital

	2018 £	2017 £
Shares of £1 each issued and fully paid		
At 1 April	**6**	7
Issued during the year	**-**	1
Cancelled during the year	**-**	(2)
At 31 March	**6**	6

The share capital of RHL consists of shares with a nominal value of £1 each, which carries no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid by them then becomes the property of RHL. Therefore, all shareholdings relate to non-equity interests and there are no equity interests in RHL. The group does not have any reserves in equity other than the revenue reserve.

18. Financial instruments

The carrying values of the Association's financial assets and liabilities are summarised by category below:

	2018 £'000	2017 '000
Financial assets		
Measured at undiscounted amount receivable:		
Rent arrears and other debtors (see note 12)	**136**	93
Cash	**425**	897
Amounts due from related undertakings (see note 12)	**-**	-
	561	990
Financial liabilities		
Measured at amortised cost:		
Loans payable (see note 14,15)	**19,197**	19,876
Measured at undiscounted amount payable:		
Trade and other creditors (see note 14)	**796**	184
Amounts owed to related undertakings (see note 14)	**225**	48
	20,218	20,108

The prior year figures have been restated to include the Bad Debt provision.

19. Legislative Provision

RHL is incorporated under the Co-operative and Community Benefit Societies Act 2014, and is registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008.

20. Capital commitments

	2018	2017
	£'000	£'000
Capital expenditure authorised by the Board but not contracted for in respect of development expenditure	**284**	729
Total	**284**	729
RHL expects to finance the above expenditure by:		
Property sales proceeds	**284**	729
Total	**284**	729

The commitment for capital expenditure authorised but not contracted for is based on development schemes in the business plan.

21. Units

			2018	2017
	Owned and managed	**Managed by others**	**Total**	Total
Under development at the end of the year				
Units for outright sale	4	-	4	4
Under management at the end of the year				
Keyworker	221	123	344	343
Keyworker office accommodation	32	-	32	32
Intermediate rent	7	-	7	7
Total units social housing	260	123	383	382
Residential care homes	-	46	46	46
Market renting	49	-	49	49
Total units non-social housing	49	46	95	95
Total units	**309**	**169**	**478**	481

22. Contingent liabilities and financial commitments

In the view of the Board there is little likelihood of any liability arising in respect of any indemnities and, therefore, no provision is reflected in these financial statements.

RHL has no outstanding commitment to maintenance and servicing contracts.

23. Related party transactions

During the year interest of £228,600 (2017: £228,600) was charged by another Group member, Rooftop Housing Association Limited. A management fee of £516,371 (2017: £267,806) was charged by the immediate parent undertaking, Rooftop Housing Group Limited.

Transactions with Board Members are at arms length on normal commercial terms and they cannot use their position to their advantage.

From October 2013 RHL became a shareholder in Fortis Property Care Limited which provides property services to the Group including responsive repairs, planned maintenance, grounds maintenance and gas servicing. The services are provided at cost and the amount charged to RHL during the year was £73,285 (2017: £40,106) and the balance owing at 31 March 2018 was £23,544 (2017: £0). As a result of this arrangement the Finance Director of RHL is a Director of Fortis Property Care Limited.

24. Ultimate and immediate parent undertaking

Rooftop Homes Limited is a wholly owned subsidiary of Rooftop Housing Group Limited. Rooftop Housing Group Limited is a Registered Society registered in England.

Biographies of Board Members

Martin Holland, FCIH (Chair of RHL)

Martin has worked in the housing sector for over 40 years and has experience in local authorities and the private sector, as well as housing associations. Martin retired from his role as Chief Executive at Shropshire Housing Group in 2013, where he had worked since the early nineties. He served as Regional Chair of the National Housing Federation (NHF) between 2003 and 2006, and in 2015 was elected to the Regional Committee of the NHF. Martin was appointed to the Board of the Rural Housing Advisory Group in 2011, advising the Homes and Communities Agency and Department for Communities and Local Government on rural housing issues.

Hilary Hobart (Vice Chair of RHL)

Hilary trained as an accountant in a firm of Chartered Accountants in Liverpool, which specialised in auditing organisations in regulated sectors. She gained a passion for housing and subsequently left the partnership to hold various finance posts and ultimately the post of Finance Director within the Liver Housing Group (now part of the Your Housing Group). In 1999 she moved to the Midlands to become the Finance Director & Company Secretary of the Accord Housing Group. She left the sector to be part of a management buy out of an IT infrastructure company and also became a voluntary Board Member of Ashram Housing Association for a period of two years. After a successful exit from her company and a four year career break to look after her twin boys, Hilary became a self-employed Finance Director for innovative start-up companies funded by venture capital investments.

Ceri Jones

After more than 30 years in teaching, Ceri retired from his post as Head Teacher of Bishop's Cleeve Primary School in 2000. The following year he was elected to Gloucestershire County Council as the member for Bishop's Cleeve and, in that role, has served on many committees both in Gloucester and locally. He was a member of the Council of the University of Gloucestershire for eight years and a Chairman of Cleeve Colts Football Club for 10 years. He has also chaired the Rooftop Residents Association in Bishop's Cleeve, which meets with both tenants and owner occupiers to discuss issues of interest and concern. In May 2013, Ceri decided to step down from the County Council.

Paul Kellard

Paul, born in Chester, has a career background in the Armed Forces and the Ministry of Defence. He currently works in Health and Social Care as a Residential Care Manager in a residential nursing home. He has been a Rooftop tenant for more than 20 years and, in recent years, he has been involved with the Rooftop Customer Panel and Resident Excellence Panel. Paul successfully completed a governance training course accredited through Derby University. Paul volunteers with the Alzheimer's Society as a fund raiser and Dementia Friends Champion. He has also undertaken training, as a Rooftop volunteer, to become a Dementia Friends Champion. He believes passionately in providing excellent housing to create strong communities, especially to an ageing population.

Rachel Lathan

Rachel has been an RHA tenant for some years and lives in Badsey with her husband and young family. She balances a demanding family life with her job in sales and her involvement with Rooftop. Rachel first became an involved resident with Rooftop when she joined the newly formed Resident Action Team in 2010 and has risen rapidly to the position of RHA Chair. She was a 'Tenant of the Year' finalist in the 2012 Tenant Participation Advisory Service Awards. She has successfully completed a Governance Training course accredited through Derby University. Rachel is an active member of the local community and believes passionately in providing excellent housing.

Rooftop
Housing Group

Rooftop Support and Care Limited

Annual Report and Financial Statements

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Rooftop Housing Group Limited • Rooftop Housing Association Limited
Rooftop Homes Limited • Rooftop Support and Care Limited

Rooftop Support & Care Limited
Annual Report and Financial Statements
2017/18

Contents

Board, executive and advisors

Registered office	70 High Street Evesham WR11 4YD
Board	- Ceri Jones (Chair) - Sheila Kettley (Vice Chair) (resigned 30 June 2018) - Hilary Hobart - Martin Holland - Paul Kellard - Rachel Lathan - Emma Wilson (co-optee) (resigned 13 September 2017) ?
Executive officers	- Boris Worrall, Group Chief Executive - Caroline Dykes, Finance Director (Secretary to 15 November 2017) - Sheila Morris, Secretary and HR Director (left 31 May 2017) - Ann Lindon, HR Director (left 31 January 2018) - David Hannon, Development Director - Juliana Crowe, Housing and Communities Director - Laura Crabb, People and Performance Director (from 2 October 2017) - Caroline Allen, Secretary (from 15 November 2017)
External auditor	BDO LLP 2 Snowhill Birmingham B4 6GA
Bankers	Barclays Bank Plc 54 High Street Worcester WR1 2QQ
Internal auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Principal solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2ES
Other legal advisors	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ

Lenders	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
	Lloyds Banking Group 25 Gresham Street London EC2V 7HN
	Legal and General Assurance Society Limited One Coleman Street London EC2R 5AA
	Santander Corporate & Commercial Banking 17 Ulster Terrace Regent's Park London NW1 4PJ
Funding advisors	JCRA (from 1 January 2018) 12 St James's Square London SW1Y 4LB
	Capita Asset Services (until 31 December 2017) 64 Gresham Street London EC2V 7NQ
Insurance brokers	Zurich Municipal Zurich House Ballsbridge Park Dublin 4 Ireland
Taxation advisors	RSM UK Tax and Accounting Temple Row Birmingham B2 5AF
Valuers	Savills Plc 19/20 City Business Centre 6 Brighton Road Horsham West Sussex RH13 5BB

Report of the Board

The Board is pleased to present the Report of the Board, the Strategic Report and the audited financial statements for the year ended 31 March 2018.

The reports and financial statements are prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity and Rooftop Housing Group Limited is the Group parent.

Group structure

Rooftop Housing Group Limited (RHG), the Group parent, is a non-asset holding, non-charitable Registered Society (29661R), registered with the Regulator of Social Housing (L4404), providing operational and corporate services, including treasury management, information and communication technology, and human resources for the whole Group.

Rooftop Housing Association Limited (RHA) was registered as a Registered Society in May 1993 (27786R) and obtained registration with the Regulator of Social Housing in September 1994 (LH4050). RHA provides core social housing that meets charitable criteria.

Rooftop Homes Limited (RHL) is an asset holding non-charitable Registered Society (29660R) registered with the Regulator of Social Housing (LH4405). It provides housing that falls within the definition of social housing including keyworker and registered care activities. It also owns and operates market rented stock, residential garages and garage courts.

Rooftop Support & Care Limited (RS&C) is a charitable Registered Society (25211R) and manages supported accommodation for young homeless adults, as well as providing support to older RHA residents. A transfer of all activities and assets from RS&C to RHA took place on 3 April 2018.

Rooftop Management Limited (RML) is a wholly owned commercial subsidiary company (Registered in England 3569438). This company became dormant from 31 March 2005.

Principal activities

The principal activity of RS&C is to provide supported housing accommodation and support services for young and older people.

Regulatory framework for social housing

The Board considers it a priority to comply with the regulatory framework and to maintain G1 and V1 ratings from the Regulator of Social Housing under the Governance and Financial Viability Standard. These were formally assessed by the Regulator through the In Depth Assessment process in January 2016 and reconfirmed in October 2017.

The Board has conducted a detailed self assessment exercise and considers that the Group remains compliant with the standards. As part of this the Board recognised the following factors:

- Board strategy event on 6-7 October 2017 reviewed Rooftop's vision, values and outcomes for tenants and potential tenants

- A new role of Head of Governance was introduced during the year to support robust governance oversight
- A Governance Improvement Plan was approved by the Boards in January 2018. The Plan will span 18 months and aims to strengthen existing governance arrangements
- Board appraisal system was reviewed for 2018 and changes were made to include 360° feedback for all Board Members, including a skills review
- Audit and Risk Committee terms of reference were reviewed and presented to Boards for approval in May 2018
- An upgraded risk function was established in June 2017 with the Head of Risk and Compliance and Risk and Compliance Officer leading on delivering an effective internal control framework
- Introduction of early warning indicators which are reported quarterly to Audit Committee and Executive Team
- During the year RHA obtained £50 million of new revolving credit facilities and the securitisation process was close to completion at year end
- At 31 March 2018 RHA had 49 months until new funding was required, and RHL had 23 months
- A new Treasury team has been created including a Treasury Manager to help ensure Rooftop can maintain monitoring and reporting with an increased number of funders
- All regulatory returns (FVA, SDR, Quarterly Returns, FFR, Fraud) have been submitted to the regulator's deadline
- Asset data is held on all dwellings within an Asset Performance Evaluator, a live tool used to measure present values on all stock and informs investment and disposal decisions. Board received update on Asset performance in November 2017 showing an average net present value of £52,000 per unit
- Resident Excellence Panel scrutinises Rooftop services to its residents, through a programme of scrutiny reviews and to act as a source of assurance
- Piloted Sector Scorecard and adopted this as our core value for money tool for 2018/19.

Internal controls

The Group Board is responsible for the overall system of internal control throughout the Group and for reviewing its effectiveness. The Group Board has delegated initial responsibility audit and assurance functions to the Audit Committee, which comprises Board Members from across the Group. The members of the Audit Committee are chosen for their appropriate skills, while representing the composition of the Group.

The Audit Committee has responsibility for reviewing the adequacy of all risk and control related statements prior to endorsement by the relevant Boards and reviewing the effectiveness of internal control systems, including management, financial, operational and risk controls, so that the Group can be reasonably assured that appropriate and effective risk management arrangements are in place.

Work undertaken by the Audit Committee during the year included:

- Financial reporting, including the integrity and appropriateness of financial statements
  - Reviewed the statutory accounts and external audit findings
  - Reviewed the performance of the External Auditors (BDO) during 2017/18 and the 2017/18 final accounts timetable
  - Approved the 2017/18 Accounting Policies.
- Risk management process and framework
  - Approved the reporting, by exception, of performance indicators to give assurance that the risk process is effective
  - Discussed the quarterly reports on significant risks including the key performance indicators, challenged the early warning indicators and sought assurance on the accuracy of the assessments and the controls
  - Reviewed the annual update on insurance, noting the level of cover, claims record and estimated renewal costs.

- Internal and external audit functions
    - Approved the Audit Committee annual reporting cycle
    - Reviewed the scopes for individual internal audits prior to fieldwork and ensured that the work being undertaken addressed key business risks
    - Reviewed the summary report on internal controls presented by the Internal Auditors (Beever and Struthers) and noted the overall status of 'substantial' assurance. Substantial assurance was achieved based on 70 audit days of work covering 16 (eight strategic and corporate, four financial and four operational) internal audit areas. There were three 'full assurance' opinions in the areas of health and safety – gas safety, budgetary control and housing management system project review. There were no 'limited assurance' or 'no assurance' opinions given during the year. All 13 other reports were given 'substantial assurance' opinions
    - Reviewed the internal audit tender exercise and recommended the appointment of Mazars as Internal Auditors for a period of five years
    - Approved the Internal Audit five-year plan to be conducted by Mazars from 1 April 2018.
- Compliance, whistleblowing, fraud, anti-bribery, asset and liability registers and stress testing
    - Reviewed the tenancy fraud policy and recommended approval by the Board
    - Reviewed the fraud registers (tenancy and general) prior to each Audit Committee meeting and noted that there were no exceptional items.
    - Reviewed the gifts and hospitality register prior to each Audit Committee meeting and noted that there were no exceptional items
    - Reviewed the governance improvement plan and noted progress
    - Reviewed the General Data Protection Regulation (GDPR) update and noted action plan progress
    - Reviewed and noted key areas highlighted in an analysis of regulatory governance downgrades elsewhere in the sector
    - Reviewed the results of the internal controls self-assessment carried out by the Leadership Team and requested quarterly updates on actions being taken to improve areas of concern
    - Reviewed the annual anti-money laundering company-wide risk assessment and noted the 'low' risk status
    - Approved the annual report on the effectiveness of the Audit Committee and its terms of reference.
- Resident Excellence Panel
    - Approved the Resident Excellence Panel's updated three-year plan, and the final report on the empty homes (void) standard scrutiny review
    - Approved the Resident Excellence Panel's repairs and responsibilities scrutiny review report containing recommendations to improve the experience for residents whilst delivering value for money
    - Approved the review of 'empty homes (void) standard and 'service charges in communal areas' as the first items in the developing three-year Residence Excellence Panel review plan
    - Reviewed and noted the status of the actions from the Resident Excellence Panel's reviews of 'continuity in resident enquiries', 'cost sharing vehicle' and 'repairs responsibilities'
    - Reviewed the Residence Excellence Panel's scrutiny reviews action plan and noted progress with the actions.

There were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.

General Data Protection Regulation

The Board recognises the importance our customers and stakeholders place on our use of their personal data and that we are transparent and accountable in the ways we collect, use and safeguard it.

Rooftop is mindful of the requirement to comply with the new General Data Protection Regulation (GDPR) and Data Protection Act 2018 which came into effect on 25 May 2018 and therefore has taken steps to ensure our staff and partners are aware of our obligations, by undertaking mandatory training and increasing awareness at all levels within the organisation. We have ensured our third party partners, who process personal data on our behalf, have security and compliance at the forefront of their work for us by way of legal agreements and audit of their systems.

We have also reviewed our own compliance with the GDPR and Data Protection Act 2018 and are of the view that there has been no material non-compliance with the legislation following implementation. Notwithstanding, and in line with good practice, Rooftop continues to keep the organisation's compliance under review.

Code of governance

The Board has formally adopted the National Housing Federation's Code of Governance (2015), and Code of Conduct (2012). The Board has formally assessed its compliance against the Code of Governance and confirms that the organisation is fully compliant.

Governance

RS&C is governed within the framework set by its rules as a Registered Society. These state that RS&C will have a Board and determine its membership. In making appointments to the Board, the Group seeks members with a range of skills that it requires to effectively govern its business.

Rooftop Board Members are carefully selected to make sure that they have the mix of skills and experience appropriate to their roles within the Group.

Board Members' responsibilities

The Board Members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board Members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private

Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the Board Members. The Board Members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue as auditors. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Employees

Within the Group structure all staff are employed by RHG, the Group parent. RHG is committed to promoting equality of opportunity in its employment practices. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

The Group has continued its practice of consulting and keeping employees informed on matters that affect them and on the progress of the Group. This is carried out in a number of ways including: formal consultation with the employee forum, departmental meetings and a company-wide briefing session.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. It reviews its health and safety policy and statement on an annual basis, has prepared health and safety procedures to support compliance and a Safety Committee has been established. All staff receive a detailed health and safety induction on commencement and a programme of training on health and safety matters is ongoing. For 2018, a wholescale review of the Group's health and safety management has been commissioned.

Insurance

RHG maintains insurance policies for members of the Board and executive directors against liabilities in relation to the Group.

Going concern

As explained in Note 1 to the Financial Statements RS&C ceased operations on 3 April 2018. As a result the directors do not believe the going concern basis to be appropriate and in consequence these Financial Statements have not been prepared on that basis.

Annual General Meeting

The Annual General Meeting will be held on 26 September 2018.

By order of the Board

Ceri Jones
Chair
18 July 2018

Strategic report

The Strategic Report sets out the overall strategy of Rooftop Housing Group and its subsidiaries, along with specific information relating to RS&C.

Why we do what we do

Rooftop is characterised by people with passion and purpose. It's at the heart of everything we do and every decision we make. Our 'profit for purpose' approach underpins our goals to:

- Build great, sustainable, affordable homes
- Support successful, healthy lives
- Create a better business for the future

2018/19 sees the launch of a new five-year plan for Rooftop. Our aim is to reshape the business to adapt to emerging customer need and the changing external environment. We will continue to build on our proud history and heritage, whilst realigning towards an ambitious plan for growth and evolution.

We have set out our Vision for 2023 and our detailed plans for 2018/19, including preparing for growth through transformation. We recognise the need to develop the Rooftop offer and become a truly modern, social and dynamic business that has the capacity to respond to opportunity. 2018/19 is our 'get ready' year.

Building on our strengths

Rooftop is a group of people with a strong sense of purpose. For many years we have benefitted from a good reputation based on our successful track record and a history of strong performance. It's a good place to work and we plan to make it great by building high performing teams within a first-class organisation. We have built a solid knowledge bank in our staff, who are well networked and have good experience in their fields.

Our robust and disciplined approach to governance and strong financial performance mean that we retain the highest regulatory rating for governance and continue to deliver excellent Value for Money. We build houses to exceptional quality and design and take a proactive approach to land banking. The value and condition of our assets is high.

We have developed highly regarded specialist support services for younger people, older people, gypsies and travellers, and victims of domestic violence. Our customers appreciate our strong service culture and commitment to involvement and listening.

Capitalising on opportunities

We are seeing growing demand for our services, changes in the external environment and increased levels of need. We can respond to the developing housing crisis, ageing population and increases in homelessness through the provision of specialist accommodation and services. We do so by delivering as many homes as we can, including properties for shared ownership and market sales to meet aspiration as well as need.

As customer behaviour and service delivery expectations evolve, we are responding by encouraging our customers to self-service and direct delivery, and by digitising our approach to work. We will commit to harnessing technology for the good of our customers and colleagues.

We are capitalising on our ability to scale by seeking partnerships of mutual benefit where goals and values are shared. We will continue to strengthen our relationships with local authorities and funders, building a strong network of stakeholder partners. We will maintain robust arrangements with our suppliers and support providers, securing longevity of contracts and high levels of service.

Adapting our business

Building a modern, dynamic, social business that is fit for the future will require profound change in the way that we work. We have begun to evolve the Rooftop operating model to enable us to harness the power of technology, innovation and agility. We are reducing complexity and bureaucracy in our business, focussing our work programme and integrating our strategies.

By realigning our group structure and our financial arrangements to our future direction and by moving to a more focussed portfolio we can continue to grow and consolidate our place-based core in South Worcestershire and North Gloucestershire.

We will build a succession plan and a talent framework with our staff, devolving decision-making to create an environment of empowerment with leaders at every level.

How we work

Everything we do, for our customers and for each other, is underpinned by our values.

We work together

- We talk
- We listen
- We network

We make things better

- We solve
- We learn
- We evolve

We do the right thing

- We own
- We support
- We act!

The building blocks to 2023

The core strategic objectives for 2023 will be underpinned by a suite of five-year strategies covering the development of our property portfolio, customer engagement and business performance. The strategies will be realised on a year-to-year basis through the delivery of annual action plans, supported by robust performance management with a renewed set of KPIs from 2018.

STRATEGIC OBJECTIVES (5 Year)		
GREAT HOMES 1,000+ Homes Garden Village	**SUCCESSFUL LIVES** 4,000 Customers Supported 90% Customer Satisfaction	**BETTER BUSINESS** Top 10 Company 40+% Social Lettings Operating Margin

Our commitments in 2018/19

We will build great homes

As the organisation responds to the ever present and growing need for more affordable, well designed, well located homes, we will respond by identifying development opportunities in our key areas of operation. We will create an environment that supports the delivery of 311 homes this year whilst gearing up to the expectation of building **1000+ new homes by 2023**.

We will identify and secure a rolling **5-year land bank**, where we will look to deliver multi-tenure sites that deliver our core objective and offer a mix of homes suitable for a range of purchasers who require and demand well built homes to a high standard with a great level of customer service offering them affordable places to live. We deliver outright sales homes to generate cross subsidy and in doing so we will explore the merits of creating a **Development Company**.

During 2018 we will also investigate sites large enough to accommodate our **Garden Village** ambition for 2023. This year will also see our ambitious **Almonry** redevelopment scheme start on site, and the launch of an exciting new regeneration partnership at **Bishop's Cleeve**.

We make a step change in optimising the value of our existing asset portfolio and will move to an area-based repairs service whilst introducing a satisfaction survey matrix. Through these changes we will deliver customer **satisfaction rates to 90%** for both repairs and our wider services as a landlord. In 2018/19, we will seek to achieve EPC band E across our portfolio as part of an ambition to move towards the majority of our homes being at Band B by 2023.

We will support successful lives

2018 will see a step-change in the way we coordinate our customer offer through the launch of a new **Service Delivery Framework** (SDF). The SDF will allow appropriate balance between core and specialist services and ultimately improve the customer experience. This will be supported by our 'digital by design' approach and reinforced with the implementation of our new '**Rooftop Together'** service standard based on leaner processes and whole-patch ownership.

In 2017 we outlined our ambition to create a centralised, real time solution for customer engagement, and we began work on a project to implement a bespoke **Housing Management System** (HMS). We have identified a challenging target to support **80% of customers to access our services digitally**. The HMS will enable Rooftop to offer an easy to use self-service environment for its staff and customers. With greater flexibility (out of hours) and scope, improving financial inclusion and delivering more efficient and cost-effective provision of services, HMS will launch in Autumn 2018.

In 2018 we will review customer engagement across the organisation, continuing to monitor customers affected by the implementation of Universal Credit and welfare reform. Our ambitious income targets for this year include holding **rent arrears at 3%** and reducing our **re-let time to 12 days for general needs**.

Our programme of support-based services for customers remains at the heart of our 'profit for purpose' approach. In 2018 we will seek to secure further funding and certainty for these services towards 2023. Our **Community Investment Strategy** also outlines a range of specialist services for young people, older people, Gypsy and Traveller communities, armed forces personnel and people affected by domestic abuse. We are proud to be achieving significant results through these services and will be working with Government to advise at a national level during 2018.

We will create a better business

In 2018, a **Governance Improvement Plan (GIP)** will enable us to evolve the structure, governance, policies and procedures and practices we will need to deliver our 2023 Vision. Our focus will be enabling a more agile and flexible business environment and continued compliance with all regulatory and statutory requirements. The Board will review proposals during 2018 to evolve towards the optimum group and funding structure. We will continue to pursue **Value for Money** through the implementation of the Sector Scorecard.

We will continue to strengthen our **risk** systems, engagement, reporting and tools and ensure that business activity takes place within the risk appetite set by the Board. We will continue to strengthen our approach to keeping customers and colleagues safe. Development of **Health & Safety** reporting will continue during 2018 and compliance policy reviews will be undertaken to provide assurance and facilitate corrective action.

We will continue to enhance our **technology** systems and digital working environment to enable mobile and agile working, and drive to digitise processes and communication across the business. The implementation of our new **Housing Management System** (HMS), Customer Relationship Management capability, electronic document management and mobility software will enable us to serve more customers in a timely and efficient manner. We will introduce 'any day' direct debits and tenancies and ensure that the HMS better enables the tenant payment process.

Communication with and between our people will continue to be a priority in 2018 and will be supported by the implementation of a new web-based intranet service (Facebook Workplace) for staff and Board Members. Externally we will continue our work to redevelop the Rooftop **website and social channels** in support of our goal to reinforce our brand as a modern, social and dynamic business. A new stakeholder management approach will be developed in 2018.

Key activities

The principal activity of the Group is to provide housing accommodation at affordable rents for people in housing need. Rooftop Housing Group Limited is the parent company of the Group and the legal nature of each entity in the Group is disclosed in the Report of the Board. Rooftop Housing Association Limited provides an inter-company loan to Rooftop Homes Limited as disclosed in note 12 of the financial statements of Rooftop Housing Association Limited.

This core social housing lettings activity represents 93% of Rooftop's turnover (2017: 93%). The next most significant elements of the business are shared ownership sales (4% of turnover; 2017: 3%) and supporting people (2% of turnover; 2017: 2%). Other activities are negligible.

Financial performance

Rooftop Support and Care Limited

RS&C, the Group's specialist support provider for young and older people services, has made a deficit for the year of £0.2 million (2017: £0.1 million deficit).

This has been another challenging year for RS&C, with the full year effect of 2016's substantial cut in funding from Gloucestershire County Council. RS&C continued to seek new business and was successful in winning the Domestic Abuse support service contract from Worcestershire County Council during the year.

Overall turnover has fallen from £1.7 million to £1.6 million. Intra-group older people's service contracts with RHA made up 31% of RS&C's turnover during the year.

As planned, Rooftop reviewed its strategy for supported housing, and the role of RS&C within the Group, during 2017/18. The Board concluded that the services performed a valuable part of Rooftop's mission, and that this could be more effectively achieved by bringing those services into RHA, the group's main charitable arm. This would simplify the group structure and provide a firmer financial backing for these services.

Where necessary, consents from RHA's lenders were obtained and a transfer of activities and assets from RS&C to RHA took place on 3 April 2018.

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 our 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.

Last year's performance targets

Last year, we set 13 targets for the year. Results are given below. We have achieved eight of the targets.

New homes built (as a percentage of current stock) was based on us achieving 112 completions. This measure matches regulatory metric 2a. Our actual number of completions against this definition was 75. We also achieved practical completion on a further 35 homes, but these were not in management at year end as further work was required to communal areas, and four gypsy and traveller pitches.

Satisfaction with repairs and maintenance was below our target, based on surveys of a sample of all customers. Throughout the year, we have separately monitored satisfaction levels of customers who have actually had a recent repair and found satisfaction to be significantly higher, at 88%. Satisfaction with our services as a whole was 89.5%, just below our 90% target.

There is an overlap between our previous metrics and the new Sector Scorecard. We will be using the Sector Scorecard as our main performance framework in the future.

2017/18 targets	2016/17 result	2017/18 target	2017/18 result	Target achieved?
Overall satisfaction with services	92.1%	90.0%	89.5%	No
New homes built (as a percentage of current stock)	0.7%	1.6%	1.2%	No
Average energy efficiency rating of our homes (SAP)	71.5	71.7	72.7	Yes
Operating margin	44.7%	40.2%	41.1%	Yes
Housing management (cost per home)	£187	£205	£218	No
Major works and cyclical maintenance (cost per home)	£796	£977	£958	Yes
Responsive repairs and void works (cost per home)	£533	£542	£524	Yes
Estate services (cost per home)	£102	£113	£117	No
Overhead costs as a percentage of turnover	9.5%	11.6%	11.5%	Yes
Rent collected	99.6%	99.8%	99.9%	Yes
Average time to re-let empty social homes (days)	14.3	14.0	12.4	Yes
Satisfaction with repairs and maintenance	86.1%	87.0%	75.2%	No
Satisfaction with new homes	95.0%	97.0%	100.0%	Yes

Principal risks and uncertainties faced

Rooftop has a comprehensive and well-established risk management system, which allows risks to be identified for all parts of the business process. Risks are assessed, prioritised and control measures are implemented.

The increasing pace of internal and external business activity requires continuous review of business and project risks. During 2018/19 we will strengthen our internal control environment with better use of existing risk management tools and a better system to extract value from risk management activity.

Fundamentally, RS&C has no risks as a standalone entity as its engagements were transferred to RHA on 3 April 2018, shortly after year end. The following are key risks on the Group risk map which are relevant to RS&C and which will transfer to RHA.

Title	Description	Mitigation
Safety of Staff/Residents Safeguarding of staff/residents	Our number one objective is to develop and maintain a high level of safety both for employees and external partners who help deliver our services and to our customers and other stakeholders who receive those services.	Health and Safety is maintained by continuously improving embedded controls, review, swift corrective actions and monthly reporting.
Cost Sharing Vehicle	Cost Sharing arrangements with Fortis Living deliver Value Added Tax (VAT) savings on labour costs associated with both responsive and planned maintenance. These savings are now at risk due to HM Revenue & Customs (HMRC) reviews and the planned merger of Fortis and Waterloo.	HMRC's guidance is that existing cost sharing groups set-up by housing associations can continue for the time being. Options are being considered by the Board.
Regulatory downgrade: Governance Financial viability	Rooftop received an In-Depth Assessment from the Regulator of Social Housing in January 2016. This confirmed Rooftop's top ratings for governance and financial viability (G1/V1).	The Board considers it to be a priority to retain these G1/V1 ratings in the future and is continually enhancing governance, risk and compliance.
Differential inflation	Social rents will not be re-linked to Consumer Price Inflation (CPI) until 2020. Any increase in underlying inflation has the potential to erode net income and hinder the achievement of the financial business plan.	Value for money initiatives have been incorporated into the budget and business plan and these are monitored to ensure good cost control. Rooftop has carried out multi-variate stress testing which includes the effects of inflation and has a defensive plan which can be enacted in the event of unforeseen costs.
Welfare reform – loss of income	The Welfare Reform and Work Act is expected to pose significant challenges through the implementation of Universal Credit.	Rooftop is a member of a welfare reform group, has a dedicated income team and has delivered training to staff. Customer profiles have been updated, we have dedicated money advice and job coaches to help people off benefits and Neighbourhood Officers have smaller patches and closer knowledge of residents.
Projects	A significant proportion of Rooftop's plan is to be delivered via special projects with associated delivery, cost and scope risks.	Key projects will only commence following the approval of an investment paper. Key deliverables and milestones will be tracked by a project control group, financial monitoring and risk management.

By order of the Board

Ceri Jones
Chair
18 July 2018

Independent auditor's report to the members of Rooftop Support & Care

Opinion

We have audited the financial statements of Rooftop Support & Care ("the Society") for the year ended 31 March 2018 which comprise the Society statement of comprehensive income, the Society statement of financial position, the Society statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2018 and of the Society's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We draw attention to note 1 to the financial statements which explains that, as a consequence of the decision taken by the directors to cease trading and transfer the trade and assets of the Society to Rooftop Housing Association Limited on 3 April 2018, this entity is no longer a going concern and the financial statement are prepared on a basis other than that of a going concern. The note also describes the implications for the accounts of the use of an alternative basis. Our opinion is not modified in this respect.

Other information

The board are responsible for the other information. Other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board and the Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Society; or
- a satisfactory system of control has not been maintained over transactions; or
- the Society financial statements are not in agreement with the accounting records and returns; or we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Board Members responsibilities statement set out on page 5, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Society, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP
Statutory Auditor

Two Snowhill
Birmingham
B4 6GA
26 July 2018
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	**2018**	2017
		£'000	£'000
Turnover	2	**1,633**	1,714
Operating costs	2	**(1,854)**	(1,777)
Operating deficit	2	**(221)**	(63)
Interest receivable	6	**1**	1
Deficit before tax	5	**(220)**	(62)
Taxation	7	**-**	-
Deficit for the year		**(220)**	(62)
Total comprehensive income for the year		**(220)**	(62)

The notes on pages 23 to 34 form part of these financial statements.

Statement of Financial Position
At 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Housing properties	8	**149**	151
		149	151
Current assets			
Debtors receivable in one year	9	**282**	420
Cash	10	**577**	623
		859	1,043
Creditors: Amounts falling due within one year	11	**(331)**	(296)
Net current assets		**528**	747
Total assets less current liabilities		**677**	898
Creditors: Amounts falling due after more than one year	12	**(146)**	(147)
Net assets		**531**	751
Capital and reserves			
Share capital	13	**-**	-
Revenue reserve		**531**	751
Total reserves		**531**	751

The notes on pages 23 to 34 form part of these financial statements.

The financial statements were approved by the Board on 18 July 2018 and signed on its behalf by:

Secretary	**Board Member**	**Board Member**

Statement of Changes in Reserves
For the year ended 31 March 2018

	Revenue reserve	Total
	£'000	£'000
Balance as at 1 April 2016	813	813
Deficit for the year	(62)	(62)
Balance at 31 March 2017	751	751
Deficit for the year	(220)	(220)
At 31 March 2018	**531**	**531**

The notes on pages 23 to 34 form part of these financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which includes the Co-operative and Community Benefit Societies Act 2014. The association is a public benefit entity.

Group accounts

The consolidated financial statements for Rooftop Housing Group Limited incorporate the financial statements of Rooftop Housing Association Limited, Rooftop Homes Limited, Rooftop Support and Care Limited and Rooftop Management Limited. These entities are all subsidiaries within the meaning of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Localism Act 2011.

Year end

The group's ordinary year end date is 31 March.

Going concern

The financial statements will be prepared on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

RS&C ceased operations on 3 April 2018, with all activities and assets transferred to RHA. As a result the directors do not believe the going concern basis to be appropriate and in consequence these Financial Statements have not been prepared on that basis.

Turnover

Turnover represents rental and service charge income, fees and grants receivable.

Service charges

The Association operates variable and fixed service charges depending on the requirements of the respective tenancy agreements. Where the charge is variable an assessment is made of whether costs have been over or under recovered and an appropriate prepayment or accrual provided for in the accounts.

Housing Properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of the properties is their purchase price together with improvement costs and incidental costs of acquisition, including capitalised interest and development administration.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

General Needs	100 years
Sheltered and Supported	100 years
Non-traditional	15 years
Garages	25 years
Leasehold property	Over life of the lease
Shared ownership	100 years

Component Accounting

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Roofs	75 years
Windows	40 years
Doors	40 years
Boilers	15 years
Kitchens	20 years
Bathrooms	30 years
Heating	30 years
Electrics	30 years
Lifts	30 years

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred into housing properties when completed.

Land donated or acquired below market value is included in cost at its valuation, with the donation treated as a capital grant when it relates to a specific project.

The market rent properties are investment properties in accordance with FRS 102 and are not depreciated but are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Impairment

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell.

Social Housing Grant (SHG) and other Government Grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to assets are recognised in income using the accrual model on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised.

Recycling of Capital Grant

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

Supported housing schemes managed by agents

The Group owns a number of schemes that are run by specialist agencies. The agents carry the financial risk from operating the scheme and, therefore, the Statement of Comprehensive Income only includes the income and expenditure that relates solely to the Group. Any other income and expenditure related to the scheme is excluded from the income and expenditure account.

Major and cyclical repairs and maintenance

The Group only capitalises major repairs expenditure on housing properties where it increases the net rental stream by:

- extending its useful economic life or
- the improvement enables a higher rental income to be charged

All other major repairs expenditure is charged to the statement of comprehensive income as incurred.

Provisions

The Association only provides for contractual and constructive liabilities where it has a present obligation to transfer economic benefits as a result of past events, it is probable that a transfer of economic benefit will result and a reliable estimate can be made of the amount of the obligation.

Leased assets

Rentals paid under operating leases are charged to the statement of comprehensive income in the period to which they relate. There are no finance leases.

Value Added Tax (VAT)

The Group is VAT registered but the majority of its income, being housing rents, and right to buy sales, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is deducted from lettings expenditure. From October 2013 RHA, RHL and RS&C became members of a cost sharing group which provides property repair services to the Group.

Financial Instruments

Basic financial instruments which meet the necessary conditions of FRS 102 are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method with interest charges recognised as an expense in the Statement of Comprehensive Income. Financial Instruments classified as non-basic are measured at fair value at the end of each reporting period with gains and losses arising from year to year being recognised in the Statement of Comprehensive Income.

Service charge sinking funds

Unutilised contributions to service charge sinking funds are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund.

Bad Debt Provision

Former tenant arrears are provided for in full in the bad debt provision. Current tenant arrears are provided for on a percentage basis based on the age of the debt.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and labilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to account estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgement in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Management have also considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment.

Development expenditure

The Group capitalises development expenditure in accordance with the stated accounting policy. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of non-basic financial instruments. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual price that would be achievable in an arm's length transaction at the reporting date.

Pension costs

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

2. Particulars of turnover, operating costs & operating surplus

	2018			2017		
	Turnover	**Operating costs**	**Operating surplus / (deficit)**	Turnover	Operating costs	Operating surplus / (deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Social housing lettings	**620**	**(734)**	**(114)**	639	(639)	-
Other social housing activities						
Supporting People	**1,013**	**(1,126)**	**(113)**	1,075	(1,151)	(76)
Other	**-**	**6**	**6**	-	13	13
Total	**1,633**	**(1,854)**	**(221)**	1,714	(1,777)	(63)

3. Particulars of Income and expenditure from social housing lettings

	General	Supported	Other	2018 Total
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	-	-	-	-
Amortised government grant	-	2	-	2
Service charge income	-	618	-	618
Turnover from social housing lettings	**-**	**620**	**-**	**620**
Management	-	208	-	208
Services	-	367	-	367
Routine maintenance	-	119	-	119
Planned maintenance	-	-	-	-
Rent losses from bad debts	-	37	-	37
Depreciation of housing properties	-	2	-	2
Operating costs on social housing lettings	**-**	**734**	**-**	**734**
Operating deficit on social housing lettings	**-**	**(114)**	**-**	**(114)**
Rent losses from voids	**-**	**115**	**-**	**115**

	General	Supported	Other	2017 Total
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	-	-	-	-
Amortised government grant	-	2	-	2
Service charge income	-	637	-	637
Turnover from social housing lettings	-	639	-	639
Management	-	267	-	267
Services	-	204	-	204
Routine maintenance	-	94	-	94
Planned maintenance	-	-	-	-
Rent losses from bad debts	-	72	-	72
Depreciation of housing properties	-	2	-	2
Operating costs on social housing lettings	-	639	-	639
Operating deficit on social housing lettings	-		-	
Rent losses from voids	-	125	-	125

4. Directors' emoluments and expenses

The directors are defined as the members of the Board and the executive officers as given on page 1. The directors are employed and paid by RHG and these details are presented in the parent company accounts.

5. (Deficit)/surplus before taxation

	2018 £'000	2017 £'000
The (deficit)/surplus before taxation is stated after charging / (crediting):		
External auditor's remuneration (excluding value added tax)		
- in their capacity as auditor	2	2
Depreciation	2	2

6. Interest receivable

	2018 £'000	2017 £'000
From banks	1	1

7. Taxation

RS&C is recognised by HM Revenue and Customs as a charity for taxation purposes. No tax arises on the result for the period.

8. Tangible fixed assets

	Housing properties for lettings £'000	Total £'000
Cost		
At 1 April 2017	158	158
At 31 March 2018	**158**	**158**
Depreciation		
At 1 April 2017	7	7
Charge for the year	2	2
At 31 March 2018	**9**	**9**
Net book value at 31 March 2018	**149**	**149**
Net book value at 31 March 2017	151	151

9. Debtors

	2018	2017
	£'000	£'000
Amounts receivable within one year		
Rents and service charges	**227**	155
Less provision for doubtful debts	**(108)**	(96)
	119	59
Amounts due from parent undertaking	**-**	211
Amounts due from other group undertakings	**51**	108
Other debtors	**5**	12
Prepayments and accrual income	**107**	30
	282	420

10. Cash at bank and in-hand

There were no specific charges on RS&C's cash at bank and in-hand at 31 March 2018 or 31 March 2017.

11. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	**25**	37
Amounts due to parent undertaking	**23**	-
Amounts due to other group undertakings	**-**	-
Government grants	**1**	2
Other accruals	**282**	257
Total	**331**	296

12. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Government grants	144	147

Deferred income – Government grants	2018 £'000	2017 £'000
At 1 April	149	151
Grants receivable	-	-
Amortisation to statement of comprehensive income	(2)	(2)
At 31 March	147	149
Due within one year	1	2
Due after one year	146	147

The original total value of grant received is £157,993.

13. Share capital

	2018	2017
	£	£
Shares of £1 each issued and fully paid		
At 1 April	7	8
Issued during the year	-	1
Cancelled during the year	-	(2)
At 31 March	7	7

The share capital of RS&C consists of shares with a nominal value of £1 each, which carries no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid by them then becomes the property of RS&C. Therefore, all shareholdings relate to non-equity interests and there are no equity interests in RS&C. The group does not have any reserves in equity other than the revenue reserve.

14. Financial Instruments

The carrying values of the Association's financial assets and liabilities are summarised by category below:

	2018	2017
	£'000	£'000
Financial assets		
Measured at undiscounted amount receivable:		
Rent arrears and other debtors (see note 9)	**124**	71
Cash	**577**	623
Amounts due from related undertakings (see note 9)	**51**	319
	752	1,013
Financial liabilities		
Measured at undiscounted amount payable: Other Accruals	**283**	246
Trade and other creditors (see note 11)	**25**	37
Amounts owed to related undertakings (see note 11)	**23**	-
	331	283

The prior year figures have been restated to include Other Accruals.

15. Units

	2018	2017
Under management at the end of the year	**Total**	Total
Supported housing	**2**	2
Managed on behalf of another landlord	**97**	97
Total units social housing	**99**	99

Two externally managed properties disclosed in 2016/17 accounts had been disposed of in 2015/16. They have been removed from the comparatives above.

16. Related party transactions

Management fees of £1,284,751 (2017: £1,355,812) were charged by the immediate parent undertaking, RHG.

Rent and Service Charge income of £86,148 collected as managing agent (2017: £86,892) was paid over to another group member, RHA.

From October 2013, RS&C became a shareholder in Fortis Property Care Limited which provides property services to the Group including responsive repairs, planned maintenance, grounds maintenance and gas servicing. The services are provided at cost and the amount charged to RS&C during the year was £36,369 (2017: £17,150) and the balance owing at 31 March 2018 was £1,839 (2017: £0). As a result of this arrangement the Finance Director of RS&C is a Director of Fortis Property Care Limited.

17. Ultimate and immediate parent undertaking

From 1 October 2009, Rooftop Support and Care Limited became a wholly owned subsidiary of Rooftop Housing Group Limited which is a Registered Society registered in England.

18. Post Balance Sheet Events

On 3 April 2018, RS&C undertook a transfer of engagements. All activities have transferred to RHA as at this date.

Biographies of Board Members

Ceri Jones (Chair of RS&C)

After more than 30 years in teaching, Ceri retired from his post as Head Teacher of Bishop's Cleeve Primary School in 2000. The following year he was elected to Gloucestershire County Council as the member for Bishop's Cleeve and, in that role, has served on many committees both in Gloucester and locally. He was a member of the Council of the University of Gloucestershire for eight years and a Chairman of Cleeve Colts Football Club for 10 years. He has also chaired the Rooftop Residents Association in Bishop's Cleeve, which meets with both tenants and owner occupiers to discuss issues of interest and concern. In May 2013, Ceri decided to step down from the County Council.

Hilary Hobart

Hilary trained as an accountant in a firm of Chartered Accountants in Liverpool, which specialised in auditing organisations in regulated sectors. She gained a passion for housing and subsequently left the partnership to hold various finance posts and ultimately the post of Finance Director within the Liver Housing Group (now part of the Your Housing Group). In 1999 she moved to the Midlands to become the Finance Director & Company Secretary of the Accord Housing Group. She left the sector to be part of a management buy out of an IT infrastructure company and also became a voluntary Board Member of Ashram Housing Association for a period of two years. After a successful exit from her company and a four year career break to look after her twin boys, Hilary became a self-employed Finance Director for innovative start-up companies funded by venture capital investments.

Martin Holland, FCIH

Martin has worked in the housing sector for over 40 years and has experience in local authorities and the private sector, as well as housing associations. Martin retired from his role as Chief Executive at Shropshire Housing Group in 2013, where he had worked since the early nineties. He served as Regional Chair of the National Housing Federation (NHF) between 2003 and 2006, and in 2015 was elected to the Regional Committee of the NHF. Martin was appointed to the Board of the Rural Housing Advisory Group in 2011, advising the Homes and Communities Agency and Department for Communities and Local Government on rural housing issues.

Paul Kellard

Paul, born in Chester, has a career background in the Armed Forces and the Ministry of Defence. He currently works in Health and Social Care as a Residential Care Manager in a residential nursing home. He has been a Rooftop tenant for more than 20 years and, in recent years, he has been involved with the Rooftop Customer Panel and Resident Excellence Panel. Paul successfully completed a governance training course accredited through Derby University. Paul volunteers with the Alzheimer's Society as a fund raiser and Dementia Friends Champion. He has also undertaken training, as a Rooftop volunteer, to become a Dementia Friends Champion. He believes passionately in providing excellent housing to create strong communities, especially to an ageing population.

Rachel Lathan

Rachel has been an RHA tenant for some years and lives in Badsey with her husband and young family. She balances a demanding family life with her job in sales and her involvement with Rooftop. Rachel first became an involved resident with Rooftop when she joined the newly formed Resident Action Team in 2010 and has risen rapidly to the position of RHA Chair. She was a 'Tenant of the Year' finalist in the 2012 Tenant Participation Advisory Service Awards. She has successfully completed a Governance Training course accredited through Derby University. Rachel is an active member of the local community and believes passionately in providing excellent housing.

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Rooftop
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