Value for Money and Performance Report 2022/23

Summary

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

In 2022/23 we continued to work towards our Corporate Plan objectives across the three streams of Successful Lives, Great Homes, and being a Better Business. In summary:

- The Money Advice team helped customers and protected our revenues in claiming £2.8 million in benefits.
- We delivered 174 homes against a target of 143.
- We have completed over 3,000 stock surveys in order to identify the investment requirements needed to ensure that all homes meet a minimum Energy Rating Score of Band C by 2030.
- The COVID-19 related repairs backlog was cleared.
- We have invested in new senior roles in the Customer Experience team.
- We continued to invest in digital solutions to improve processes.

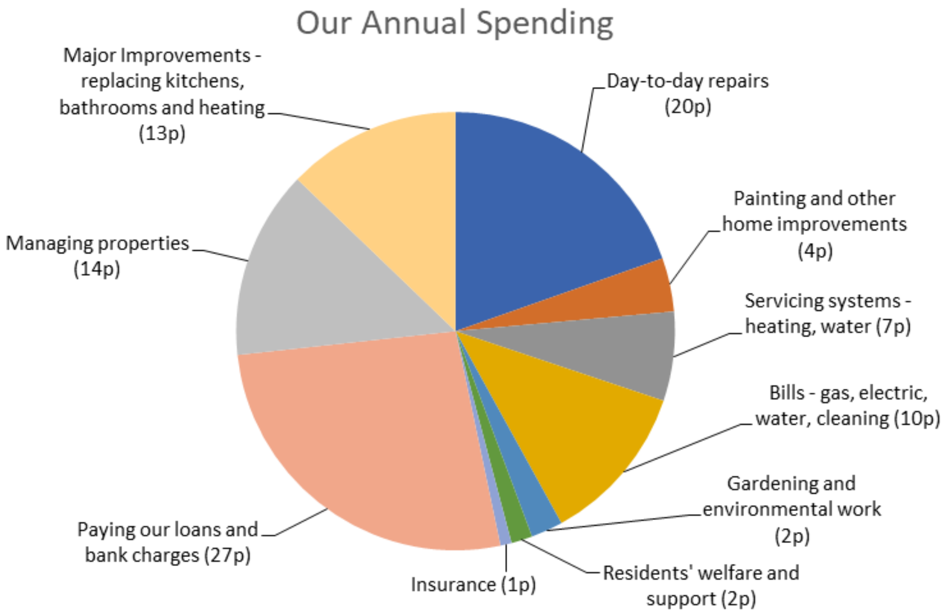
We continued to deliver against our wider 2026 targets around sustainability, supporting people and communities and business improvement during the year.

Ensuring customers and stakeholders are aware of our impact, costs and delivery of our plans is important to us. A copy of our simple published 'VFM and performance' summary is included in this report; it also appears on the Rooftop Housing Group website and in the Rooftop Customer Report. It shows a breakdown of how income is expended during the year to provide transparency.

How We Will Spend Our Money - 2023/24 Budget

The chart below shows a breakdown of every £1 spent. The three largest areas represent 61% of total expenditure:

- The largest area of expenditure is around servicing our loans. This will increase as we continue to draw down more funding to improve our homes and build new homes for people in housing need.
- The next largest area of spend is on the day-to-day repairs of our homes.
- Managing our properties is the third largest area and includes the cost of housing officers supporting our customers.



Meeting the Value for Money Standard

We welcomed the simplified approach in the April 2018 Value for Money (VFM) Standard. The Board believes Rooftop has complied with the VFM Standard during 2022/23 and continues to challenge the Executive Team to drive forward this agenda for the future.

The Corporate Plan for 2021 to 2026 (now replaced with the refreshed Corporate Plan 2023 to 2026) is monitored and reported against the targets to Board on a quarterly basis. The Board also monitors an annual Value for Money Action Plan setting out the specific improvements and projects Rooftop aims to deliver each year.

The following strategic projects were at the heart of our Value for Money Strategy for 2022/23:

- **Repairs Efficiency Review**

  A joint project with Platform Property Care (PPC) reviewed performance and established efficiencies, including the use of repairs diagnostic technology innovations and realigning resources to increase operative productivity. An independent review was completed, confirming our Cost Sharing Vehicle continued to offer Value For Money.

- **Business Improvement**

  In 2022/23, we reviewed our core operating model to ensure that our resources were best aligned to deliver our vision and corporate plan. A new Target Operating Model was implemented following consultation with customers, colleagues and stakeholders. Financial reviews of directorates and schemes resulted in the decision to discontinue the Building Better Opportunities and Younger People Services provisions. Digital solutions such as the new finance system have been implemented to increase self-service and automation. Following establishment of a new Target Operating Model, staff savings of over £200k have been realised and our resources refocused. This work will be furthered in 2023/24 as we look to re-vision the customer journey.

- **Asset Rationalisation**

  Managed properties were reviewed, rationalising those outside our core area or with no over-riding business case to retain. This resulted in the decision to sell Dorothy Terry House to another registered provider, with completion expected in early 2023/24. An active programme of disposals (where there is no value to invest) has been built into the Financial Business Plan and an Annual Disposal Plan approved by Board in March 2023. Properties that are suitable for disposal and/or redevelopment continue to be identified with flags on all Standard Assessment Procedure Band F and G properties to be earmarked for disposal upon void.

- **Social Value**

  Measurement of social value was fed through into our Environmental, Social and Governance (ESG) report, published in September 2022. In addition, a review of the Supported Housing portfolio was completed to seek clarity over relevant costs and income, ensuring that Social Return on Investment was recognised.

A new Value For Money Action Plan has been created to enable focus for 2023/24. This flags our most strategic risks with actions designed to address the following areas:

- Customer Journey/Process Improvement – building a customer journey map and identifying areas of improvement across the organisation.
- Repairs – reducing cost and levels outstanding.
- Voids – Service Improvement project plan designed to reduce from 4.2% to overall 2.38%.
- Income – protecting and maximising by targeting lettings turnaround days, former tenant arrears and data accuracy.

Progress made towards these defined outcomes will be reported in the 2023/24 Value for Money Statement.

Delivering Value for Money

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

The Sector Scorecard includes the nine metrics specified by the Regulator of Social Housing. The group-wide results for 2022/23 are set out below, with comparatives from 2021/22 and targets for 2022/23 and 2023/24. The targets are embedded in Rooftop's budget and performance processes.

Performance and future targets

Regulatory metrics	2021/22 Result	2022/23 Target	2022/23 Result	2023/24 Target
Metric 1 - Reinvestment Percentage	6.4%	12.6%	6.4%	4.8%
Metric 2a - New supply delivered (social housing units)	1.9%	2.7%	2.6%	1.9%
Metric 2b - New supply delivered (non-social housing units)	0.0%	0.0%	0.0%	0.0%
Metric 3 - Gearing	54.7%	56.0%	54.3%	53.0%
Metric 4 - EBITDA MRI as a percentage of interest	122.3%	128.0%	104.5%	132.0%
Metric 5 - Headline social housing cost per unit	£4,083	£4,100	£4,490	£4,589
Metric 6a - Operating Margin (overall)	25.7%	27.4%	27.5%	29.0%
Metric 6b - Social Housing Operating Margin	29.8%	31.7%	32.2%	34.0%
Metric 7 - Return on capital employed (ROCE)	3.4%	3.3%	3.5%	4.4%
Other Sector Scorecard metrics				
Overall customer satisfaction	81.9%	90.0%	76.4%	82.0%
Ratio of responsive repairs to planned maintenance spend	0.68	0.60	0.79	0.57
Rent arrears as a % of rent debit	3.3%	3.2%	2.7%	3.0%
Overheads as a % of adjusted turnover	12.0%	11.8%	12.2%	10.9%
Void loss as a % of rent debit (all tenures)	3.9%	2.2%	4.2%	2.38%

The Value for Money metrics show that the **Reinvestment percentage** of 6.4% is much lower than the target of 12.6% which was set before the 1,000 homes development programme was reduced and pushed out from 2026 to 2028. The target of 4.8% for 2023/24 reflects the planned development activity and investment in current stock.

Our **New Supply Delivered of Social Housing** at 2.6% is slightly lower than the target of 2.7% due to the timing of handovers. The target of 1.9% for 2023/24 will be achieved by delivering the 128 homes in the new development programme.

EBITDA MRI as a percentage of interest is much lower at 104.5% than our target of 128%. A number of factors affected this, including increased repairs and maintenance costs and high voids. In addition, interest rate rises in the year pushed up the cost of our variable loans.

Our **Social Housing Operating Margin** of 32.2% is higher than the target of 31.7%. The sector average in 2021/22 was 24.6% so we accept that this is a pressure within the sector. The target for next year of 34.0% reflects the difficult budgeting decisions made but achieving this will be increasingly difficult should inflation continue to rise.

For **Customer Satisfaction** our year end result was 76.4%, which was 13.6% below our ambitious target of 90%. Our analysis indicates that customer communication around repairs and the completion of repairs are the main causes of dissatisfaction. This drop is considered reasonable for other Housing Associations based on evidence available, however hitting the 82% target will be a key focus for the year ahead. Our enhanced Customer Experience team will improve customer communication and complaints handling.

Our **Rent Arrears as a % of rent debit** was 2.7% compared to a target of 3.2%. Considering the cost of living pressures affecting our customers, this is a great result and testament to the proactive measures adopted by our Income Team. This includes the use of the RentSense system which enabled us to further improve our income collection rates through better reporting and prioritisation of cases.

Other Key Metrics – targets for 2022/23	**Target 2022/23**	**Result 2022/23**	**Achieved? Y/N**
Percentage of repairs completed first time	85.0%	90.0%	Y
Average days to complete emergency repairs (24 hours)	100.0%	95.8%	N
Average days to complete urgent repairs (5 working days)	90.0%	43.4%	N
Average days to complete routine repairs (20 working days)	80.0%	42.7%	N
Average days to re-let	21.0	83.4	N
Percentage staff sickness absence	4.5%	3.6%	Y
Benefits realised for tenants by money advice team	£2.5 million	£2.8 million	Y
% of colleague turnover	13.0%	14.5%	N

All repair time targets were missed in 2022/23, owing to increased demand and a catch up on COVID-19 backlog. From April 2023 onwards, the category of ‘urgent’ will be removed and repairs will be classified as ‘emergency’ and ‘non-emergency’. A Repairs service improvement project plan is in place focusing on productivity and the reduction in Work In Progress levels.

Our average days to re-let of 83.4 days (all tenures) is higher than our target for the year. To address this issue, we have implemented a Lettings and Voids service improvement project plan.

Peer Comparison 2021/22

As part of the Value for Money Standard we must include data around peer comparison and have had a piece of work carried out by Vantage, presented to our Board in January 2023. They have identified the peer group based on geographical location, stock size and similarity.

RP	Reinvestment %	New supply delivered (social) %	New supply delivered (non-social) %	Gearing %	EBITDA %	Headline Social Housing Cost Per unit	SHL Operating Margin %	Overall Operating Margin %	ROCE %
Rooftop Housing Group	**6.4%**	**1.9%**	**0.0%**	**54.7%**	**122.3%**	**£4,083**	**29.8%**	**25.7%**	**3.4%**
Thrive Homes Ltd	15.8%	4.4%	0.3%	73.3%	166.9%	£4,368	27.9%	28.9%	4.1%
Two Rivers Housing	10.2%	2.0%	0.0%	55.9%	158.4%	£3,472	25.1%	25.9%	3.4%
Connexus	7.6%	1.6%	0.0%	53.3%	120.6%	£3,937	21.4%	23.1%	3.9%
North Devon Homes Ltd	1.8%	0.3%	0.3%	57.6%	122.9%	£3,507	22.0%	22.7%	2.9%
Westward Housing Group	4.6%	1.2%	0.0%	29.7%	192.3%	£3,448	25.8%	25.4%	3.3%
Selwood Housing	5.4%	2.3%	0.0%	31.7%	311.3%	£4,363	18.8%	17.1%	1.9%
Gloucester City Homes	18.4%	2.2%	0.0%	54.3%	53.4%	£4,414	21.0%	19.3%	2.8%
Trent & Dove Housing	7.9%	1.9%	0.0%	59.2%	140.6%	£3,813	20.%	19.4%	4.0%
Peer Average	9.0%	2.0%	0.1%	51.9%	158.3%	£3,915	22.8%	22.7%	3.3%
Sector Average	**8.3%**	**1.6%**	**0.5%**	**45.5%**	**163.4%**	**£4,364**	**24.6%**	**21.6%**	**3.3%**

Reinvestment

We have a lower % of reinvestment than our peer average and this is also reflected in the lower cost in **Headline Social Housing Cost per Unit** where Rooftop has performed well. This is thought to be due to the profile of our current stock compared to peers. We are also a member of a Cost Sharing Vehicle, which generates efficiency and VAT savings.

New supply delivered – Social housing

We delivered 116 new homes in 2021/22 which puts us broadly in line with our peers and above sector average.

New supply delivered – Non Social Housing
The Board has decided not to develop any further homes in this category.

Gearing/EBIDTA
The Board monitors this performance closely but accepts the results are weaker compared to peers. This is due to a large number of legacy debts created at the time of transfer from the Wychavon District Council, and also increased borrowing in recent years to enable Rooftop to achieve its ambitions in the supply of new homes.

Operating Margin (Social and Overall)
This metric is an area we have performed consistently well in and it reflects the commitment to keep our costs low while maximising our income. This is also an area which the Board are focussing on as part of our **Corporate Plan**. This positive results of this can also be seen in the **Headline Social Housing Cost per Unit.**

Return on Capital Employed

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

What we have achieved in 2022/23

Successful Lives

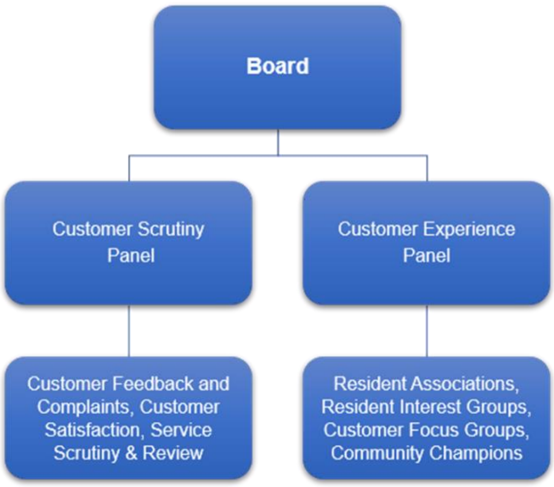
Supporting Customers

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

- Our Emergency Assistance Fund was increased following a £30k grant from Wychavon District Council and we used this to assist customers by paying for food, white goods and household fuel.
- Our Money Advisors had an exceptional year helping 1,382 customers apply for additional income entitlement of £2.8 million.
- Our Building Better Opportunities job coaches supported customers this year, working closely with Job Centre Plus partners to identify specific training based around upskilling to maximise opportunities in finding employment. This contract ended in March 2023 with a social value of £237k generated in the year.

Customer Charter

This year, we began to implement our Customer Charter outlining our Customer Promise, measurable service standards and new Customer Engagement Framework. This Customer Engagement Framework offers a range of ways customers can be involved either on a formal or informal basis, as well as offering a range of focus groups. As part of this work, we will implement a new Customer Experience Panel in 2023/24 that will have direct links to scrutiny, as per below:



Customer Experience

As part of our commitment to Excellent Customer Service, we have invested further in the Customer Experience Team with a new role of Head of Customer Experience. The key priorities for this area will be the development of a consistent quality approach to customer service, complaints management, customer satisfaction and development of a new Customer Experience Panel. Work is now underway to develop 'First Point Contact Resolution' which will be launched in 2023/24 alongside a complaints triaging system.

Great Homes

In May 2021, the Board approved a Corporate Plan which included their vision to build up to 1,000 homes. In response to our customers priorities and the financial pressures of rising inflation and costs, we have refocused – through the Target Operating Model – on our key services as a social housing landlord. We have therefore revised this objective and reduced our delivery plan, ensuring that we concentrate on improving our existing homes. The refreshed Corporate Plan 2023-26 has reduced the number from 1,000 to 858 homes, with 569 due to complete in the next five years.

Within the 858 homes are a mixture of social rent, affordable rent and shared ownership. The Development Strategy does allow for the delivery of a small number of homes for outright sale with the proceeds allocated to fund more social homes and to help meet the objectives of the group.

The group successfully completed 174 homes in 2022/23. There are a further 212 new homes currently onsite with 128 homes expected to handover in 2023/24.

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

In 2022/23, the development team have delivered 2 of the 43 social rented homes to replace those sold under the Voluntary Right to Buy scheme. The remaining 41 social rented home replacements are currently under construction, we expect a further 28 to be delivered in 2023/24 with the remaining 13 in 2025/26. These homes will utilise the £7.5 million available funding.

Better Business

The key focus for 2022/23 was the design and implementation of the Target Operating Model, which links to our vision and refreshed Corporate Plan 2023-26. This resulted in the simplification of Supported Housing, the investment in Customer Services and the review of staff structures in all directorates.

In line with our Leadership and Learning Excellence objective, we launched a Leadership and Management Development Programme in September 2021. In 2022/23 we began a programme of upskilling our customer facing staff through the qualifications offered by the Chartered Institute of Housing as part of our professionalisation agenda. The training is based on seven core skill areas, which have also been embedded into the new Performance Management Framework which we launched in April 2023.

In December 2022, we went live with a new cloud-based finance system which replaced software coming to the end of its useful life. This new system will bring about efficiencies and aid decision-making through self-service and enhanced reporting. In 2023/24, we will build more user dashboards and enhance automation in purchase ledger.

We have continued to develop our Housing Management System to ensure it meets the needs to the business, including reviewing and streamlining our processes to make us a leaner organisation, this work is still ongoing. We have worked with our supplier to look at how the system can support remote working and improve our lettings sign up process and developed reports using Power Business Intelligence reports to give us more insight into our data. Particular focus has been given to improving our Health and Safety reporting, complaints processing in our Housing Management System and implementation of a robust Data Governance framework.

Electric Vehicles

We are committed to finding innovative ways to improve our sustainability. In 2018/19, we leased an electric car for staff to use for business trips and this will be replaced with a new vehicle, due for delivery in July 2023. All staff are encouraged to use the electric car as their first port of call instead of their own petrol or diesel vehicle~~s~~, thus promoting a healthier environment. During 2019/20 we extended this further and leased an electric van for our handymen to use.

ISO14001 Certified

We are committed to improving our environmental performance for the group and the people we do business with. This is reflected in a successful ISO14001 audit in March 2022 which confirmed that there were no major or minor-non conformities and that we retain our accreditation. We continue to make further environmental improvements across the organisation. Rooftop also holds ISO9001 Quality Management System accreditation, and it has been decided to merge the two standards into an integrated management system (IMS).

Performance of our non-social assets

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

Scheme	Scheme valuation	2022/23 Net rental yield	2021/22 Net rental yield	2020/21 Net rental yield	2019/20 Net rental yield	2018/19 Net rental yield
Bridge Street	£1,061,103	0.93%	1.54%	1.79%	1.26%	2.45%
Warwick House	£272,169	7.72%	6.86%	3.27%	3.31%	4.17%
The Hawthorns	£3,818,000	8.18%	7.48%	7.40%	7.43%	6.90%

We have shown a positive return on each of the non-social housing schemes however, the return from Bridge Street remains lower. This is a listed building in Worcester which is spilt into flats that are used for Market Rent. The property has needed an increasing number of repairs which are more expensive due to its listed status. In 2023/24, we will explore disposal options.