Rooftop Housing Group Limited

Annual Report and Financial Statements

2016/17

Contents

Board, executive and advisors

Registered office	70 High Street Evesham WR11 4YD
Board	- Nicola Inchbald (Chair) - Keith Rolfe (Vice Chair) - Emma Wilson - Kelvin Hard - Hilary Hobart - Martin Holland - Ceri Jones - Paul Kellard - Sheila Kettley - Rachel Lathan - Robin Richmond - Malcolm Robson
Executive officers	- Ian Hughes, Group Chief Executive (left 31 January 2017) - Boris Worrall, Group Chief Executive (started 1 February 2017) - Caroline Dykes, Finance Director and Secretary (from 1 June 2017) - Sheila Morris, Secretary and HR Director (left 31 May 2017) - Ann Lindon, HR Director (from 1 June 2017) - David Hannon, Development Director - Juliana Crowe, Housing and Communities Director
External auditor	BDO LLP (appointed 25 January 2017) 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
Funding advisors	Capita Asset Services 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 2017.

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 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.

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 through shared ownership schemes
- 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.

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 for audit and assurance functions to an 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 2016/17 included:

- Risks were reviewed by risk owners on a quarterly basis and then the assessments were presented to the Executive and Leadership Teams for further scrutiny of the most significant risks. The Audit Committee received the summary report and sought assurance during their review that the controls in place support the residual risk assessments presented
- A full tender process took place prior to the recommendation to the Group Board to appoint the external auditor
- Reviewed the accounting policy for 2016/17
- Audit Committee received eight assurance reviews from internal audit:
    - Strategic controls - assets and liabilities register, data protection and information security, development, disaster recovery and back up recovery, HR management - operational, procurement and support and care.
    - Financial controls - transaction monitoring (data mining).

  The overall assessment of the work undertaken by the internal auditors was substantial assurance.
- Additional audit work was approved by the Audit Committee in relation to:
    - Internal auditors: Assets and liabilities desktop review, regulatory returns, repairs resident satisfaction review and financial regulations and thresholds review.
    - External auditors: covenant compliance confirmation letters to funders, right to buy statement and service charge statements.
- The plan for Residence Excellence Panel (REP) reviews was approved and REP reports have been presented to the Audit Committee.

The Audit Committee also reviewed the following to gain assurance on the effectiveness of controls within Rooftop:

- statutory accounts for the year ended 31 March 2017
- audit strategic plan for 2017/18 to 2019/20 and the annual plan for 2017/18
- final accounts timetable including external auditor's engagement letter
- 2017/18 budget process
- external audit plan for 2017
- insurance renewals and claims history
- 2016 Sector Risk Profile published by the Homes and Communities Agency and a risk mapping exercise to demonstrate that all relevant risk were captured by Rooftop
- a mapping exercise comparing the internal audit programme to Rooftop's inherent risks, in order to demonstrate that internal audits were focussed on the high risk areas of the business
- results of ICT annual penetration testing
- fraud and gifts and hospitality registers.

In addition to the specific work of the Audit Committee, the Board have taken assurance from the following:

- Rooftop is a member of the HouseMark benchmarking group. This provides valuable information on the efficiency and effectiveness of Rooftop at achieving its objectives, both compared to other similar organisations and compared to Rooftop's historic performance. This information has been used to inform the Value for Money self assessment.
- Quarterly performance pack which includes monitoring reports, performance against goals and projects and key performance indicators.
- A robust Business Plan based on clear assumptions and sensitivity-tested to ensure Rooftop understands the effects of any potential changes in its environment.

- o Resident involvement impact assessment by an external consultant every two years.
- o All policies and strategies are approved by the Board, Audit Committee or Executive Team.
- o Rooftop was recognised as one of the Best 100 Not-for-Profit organisations to work for the third year running.
- o The Homes and Communities Agency (HCA) carried out an In Depth Assessment (IDA) of Rooftop in January 2016. Rooftop continues to have the highest possible ratings for both Governance and Financial Viability from the HCA.

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

Governance and Financial Viability standard

The Board considers it a priority to maintain the G1 and V1 ratings from the HCA under the Governance and Financial Viability Standard. These were formally assessed by the HCA through the In Depth Assessment process in January 2016.

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:

- o Board strategy event on 8/9 March 2017 reviewed Rooftop's vision and outcomes for tenants and potential tenants.
- o Board appraisal system reviewed and changes made to include face to face appraisals for all Board Members, including a skills review.
- o Audit Committee Terms of reference reviewed and presented to boards for approval in May 2017.
- o A new role of Risk Manager was introduced during the year to further strengthen risk and compliance.
- o In May 2017 RHA obtained £25 million of new funding to meet Rooftop's longer term development ambitions and is in the process of obtaining a further £25 million.
- o 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.
- o All regulatory returns (FVA, SDR, Quarterly Returns, FFR, Fraud) have been submitted to the regulator's deadline. An internal audit was conducted following a data issue in the June 2016 return and the relevant recommendations have been implemented.

Code of governance

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

Value for Money self assessment

Rooftop believes in profit for a purpose – generating surpluses in order to invest them back into the local community by building new homes, improving existing homes and supporting community initiatives.

We need to make sure that every penny counts – focussing not just on how much we spend, but how and where we spend it – to have the best impact on achieving our mission.

Our approach

We use a wide ranging basket of Value for Money indicators to assess our performance. They are designed to show a wider picture of what we are doing, rather than just focussing on 'traditional' landlord housing management. We've divided these targets into three groups:

- **Return on assets**

  This measures the big, headline information about the impact Rooftop is making through its assets. We want these targets to show how well we are using our assets to:

- provide great services which meet our residents' needs
- deliver new homes to help solve the wider housing crisis
- reduce our impact on the environment
- generate a financial return, which can then be reinvested in the other priorities above.

These areas are crucial to us and we really want to make a difference through using our assets well.

- **Cost of specific services**

  This is about how we compare to other similar landlords in terms of costs. The areas we are reporting on cover all of our major frontline landlord services, plus our spending on overheads (back office areas such as Human Resources, Finance and Information Technology).

- **Service outcomes / social return**

  Value for Money is more than just how cheap things are. That's why we've set out targets to measure how good the services we provide actually are.

Comparison with others – HouseMark

To help us compare the cost and effectiveness of our services, we are members of HouseMark benchmarking. This allows us to compare our own performance over time, and also to compare ourselves to other similar organisations – Local Authority stock transfer organisations (LSVTs) in the Central region with 2,500-7,500 homes.

The vast majority of our targets are calculated using HouseMark. Three of our targets are internal calculations only and are not comparable with others. We have reflected on this and decided to phase out these three targets in future years to improve the transparency of our self assessment.

We have also added operating margin as a new indicator, which is a standard business indicator and easily compared to others.

Our performance

The results of our VFM indicators for 2016/17 and our targets for 2017/18 are shown below:

	2014/15 results	2015/16 results	2016/17 results	2016/17 targets	Did we beat our target?	Are we improving?	How we compare	2017/18 targets
Return on assets								
Overall satisfaction with services	88.6%	83.8%	92.1%	85.0%	👍	👍		90.0%
New homes built (as percentage of current stock)	5.0%	1.2%	0.7%	1.3%	👎	👎		1.6%
Financial return from new development (IRR)	8.2%	7.8%	8.4%	7.0%	👍	👍	N/A	N/A
Average energy efficiency rating of our homes (SAP)	69.2	71.3	71.5	71.5	👍	👍		71.7
Cash operating margin	54.2%	56.1%	56.2%	52.1%	👍	👍	N/A	N/A
Operating margin	44.2%	42.7%	44.7%	N/A	N/A	👍		40.2%
Cost of specific services								
Housing management (cost per home)	£203	£210	£187	£208	👍	👍		£205
Major works and cyclical maintenance (cost per home)	£808	£1,453	£796	£1,034	👍	👍		£977
Responsive repairs and void works (cost per home)	£495	£455	£533	£523	👎	👎		£542
Estate services (cost per home)	£75	£90	£102	£98	👎	👎		£113
Overhead costs as a percentage of turnover	9.6%	9.7%	10.3%	10.1%	👎	👎		11.6%
Service outcomes / Social return								
Percentage of rent collected	99.5%	98.7%	99.6%	99.7%	👎	👍		99.8%
Average time to re-let empty social homes (days)	12.7	14.6	14.3	14.5	👍	👍		14.0
Satisfaction with repairs and maintenance	81.6%	73.1%	86.1%	83.6%	👍	👍		87.0%
Satisfaction with new homes	87.8%	95.2%	95.0%	97.0%	👎	👎		97.0%
Number of Independent Living Assessments	NA	1,383	1,324	400	👍	👎	N/A	N/A

Very good - Top 25%

Better than average

Worse than average

Poor – bottom 25%

Return on assets

We are pleased with the strong performance in overall satisfaction with our services. The significant increase during the year is expected to place us in the upper quartile, and shows the impact of the action plan we set out in last year's VFM self assessment. The improvement plan included some systems and technological improvements, but was also based on reconnecting residents with their neighbourhood officers by creating new generic posts with smaller patch sizes from July 2016.

Rooftop is pleased about how much we develop, relative to our size. Our number of completions for the year was relatively low at 43, and was below our target. This is because of the cyclical nature of our development programme and because some of our completion dates have been pushed back. Next year we expect to complete 112 new homes which we expect to be above average performance, and then complete over 300 homes in 2018/19.

To make our new homes programme less cyclical, we have engaged in a strategic land banking programme supported by specialist staff. We expect this to shorten the length of time from inception to start on site, and enable us to deliver a smoother annual volume of homes. To date we have secured sites which could deliver 250 homes.

Our financial return on new development continues to outperform the targets set in our financial appraisals.

Sustainability is an important goal for Rooftop, as we seek to reduce fuel bills for residents and cut carbon emissions. We intend to strengthen and better embed our approach during the next year. We continue to improve our homes, and our performance is better than the average for our peers. During 2017-18 we will seek to define a Living Homes Standard as a target minimum for all our stock, and will assess the financial investment needed to tackle our 400 least energy efficient homes (energy bands E, F and G). This will enable us to make more robust asset management decisions, which will include the option of disposing of stock where it is not economic to make the necessary improvements to meet our minimum standards.

Our cash operating margin continues to improve. However, we have come to the conclusion that this internal measure is of limited use. For future self assessments, we will instead report on the more traditional operating margin measure, which will be more transparent as it can be more easily compared to others. Past results for both measures are included in the table above.

Cost of specific services

Once again, the results for the cost of our main services are outstanding. In 2015-16, we were better than average on all five measures and in the top 25% for repairs and overheads. This year our results suggest that we will be upper quartile for three out of the five measures. Coupled with the rise in our overall satisfaction, this is a powerful statement of the good value for money Rooftop has provided to residents.

Service outcomes / social return

Within our housing team structure we have an Options team who are part of the innovative new service we created to support our residents following the end of Worcestershire County Council's Supporting People funding. We intended the service to be funded through service charges, but after negotiation with housing benefit providers we have not collected the majority of that income. This uncollected income has affected our percentage of rent collected (99.6%), resulting in lower than average performance compared to our peers. If we excluded this specific issue, our performance would be better than average.

Once again, our Options team significantly outperformed their target. 1,324 assessments were carried out which is more than we originally intended to do over three years. These assessments will enable us to target services more effectively, informing the review of our strategy for supported housing which will take place next year.

New homes are important to us, and we broadly maintained the significant increase in satisfaction we achieved last year. With the low number of completions, this survey had a very low sample size and the 5% dissatisfaction relates to a single customer response.

As with our overall satisfaction, satisfaction with repairs has risen significantly over the year. We have achieved this by being proactive with customer service requests and carrying out a Resident Excellence Panel (REP) review of the Cost Sharing Vehicle will improve the service our residents receive. Our Head of Asset Management has also worked jointly for Rooftop and Fortis Property Care to enable improvements to the overall service. From April 2017, we have introduced mobile working in the Cost Sharing Vehicle, which should positively impact on both satisfaction and cost efficiency.

Optimising future returns on assets

In 2013/14, we commissioned Savills to review the performance of our property assets. Savills told us that:

"The overall performance of Rooftop's properties is good. Financial returns are roughly double those of other providers in the region" – Savills

We have repeated that exercise this year and are currently reviewing the results.

Savills broke our properties down into the following groups:

Financial return (Net Present Value (NPV) of cashflows per unit over 35 years)	Description	Rooftop average NPV per unit in this group	Percentage of stock
Greater than £30,000	Good	£59,702	98.1%
Between £1 and £30,000	Marginal	£19,323	1.9%
Below £0	Negative	N/A	0%

The marginal 1.9% group of properties includes our keyworker scheme at Worcestershire Royal Hospital. Over the last two years we have carried out a full review of our non-core housing properties to consider whether any action is needed to maximise return on our assets. The review has concluded that our non-core assets are performing well and changes in the health sector have helped to improve performance at our keyworker schemes.

We had previously hoped that the government's voluntary right to buy scheme would create a major opportunity for us to review our assets, raising £33 million through property sales by March 2020. Following the postponement of the scheme, we have removed these assumptions from our business plan. However, we will still consider targeted asset sales and by December will develop a strategic asset disposal programme aligned to our environmental and development strategies. For example, in May 17 our Board approved disposal of a 200-year old listed property in Pershore which was uneconomic to repair and had an unacceptably low SAP environmental rating.

Plans for 2017/18

We have now delivered the necessary savings in our financial business plan to respond to the Welfare Reform and Work Act 2016, which has forced us to cut our rents by 1% a year for four years, starting from April 2016.

The major focus for 2017-18 will be our new housing management system. During 2016-17 we conducted a detailed and rigorous tender process to determine a new system to replace the legacy Capita Academy system. This new IT solution from Aareon is intended to underpin and enable a major review of how we carry out our businesses, supporting residents to self serve, improving the quality of our data and streamlining our internal processes.

In the short term, this will increase our costs. In particular, we expect overhead costs to rise and operating margin to drop, and this is reflected in our targets for 2017-18. The costs are not just the new IT system itself, but also staff and consultancy costs to make sure the system is implemented successfully and that new processes are well designed.

Longer term we expect the transformation to have a significant positive impact on our value for money indicators. We expect that changes to the way we work will allow us to increase our number of homes through our development programme without any increase in staffing, which will improve all of our service cost indicators. This project is not just about cost though – by helping us to deliver a more flexible, modern, online service, we hope that the project will lead to sustained increases in residents' satisfaction with the services we provide. Finally, if we can make sustained savings in our average cost per unit, we can ultimately recycle that saving back into building more new homes.

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 member's 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 and association'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. 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. They have prepared health and safety policies and ensured all staff have undergone a programme of training on health and safety matters and have established a Safety Committee.

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 13 September 2017.

External auditor

We retendered audit services during 2016/17 following expiry of the previous ten year contract. BDO LLP were appointed, replacing Mazars LLP.

By order of the Board

N. A. Inchbald

Nicola Inchbald
Chair
19 July 2017

Strategic report

Why we exist

Our mission is to improve the quality of life of people and the communities in which they live. This report sets out what we will do in 2017-18 to achieve this.

What we do

Today Rooftop's role in providing new homes, investing in communities, providing services to our 20,000 customers and supporting local people is more important than ever before.

With our roots in Wychavon, we now provide some 6,500 homes in South Worcestershire and into Gloucestershire. We deliver a wide range of affordable homes for rent and low cost home ownership and seek to regenerate communities to enhance the environment and the local area. We also seek to help those in society who need support by providing specialist homes and a range of local services. All of our homes meet or exceed the Government's Decent Homes Standard.

In 2017/18 we will:

- achieve at least 90% customer satisfaction with our services and repairs satisfaction of at least 87%.
- deliver 112 new homes for people to rent, own and part-own.
- invest £500,000 in our communities
- help at least 100 older people to live independently, support 200 young people, ensure 40 Gypsy and Traveller families live in stability and support at least 10 families suffering domestic abuse
- help 150 people with work advice (25% into work) and provide 300 people with financial advice
- invest £8m in the homes we manage and assess the investment needed to tackle our 400 least energy efficient homes (Energy Bands E, F and G) as we seek to reduce fuel bills for residents and cut carbon emissions.

How we work

We are a modern, dynamic and flexible social business, aiming to deliver superb value for money and incredible impact. We are proud of what we do – but we always strive to do better.

We collaborate and connect with customers, communities and partners to make great things happen. Residents play a key role in shaping our services, as well as informing our business strategy as Board Members.

In a rapidly changing world, we always seek to maximise opportunities, meet challenges and collaborate with partners and the people and communities where we work to achieve our common goals.

We are committed to delivering Value for Money, and this drive for efficiency is reflected in our core focus on projects and key performance indicators. Our new Aareon Housing Management System will enable us to further drive efficiency through better business systems.

We generate the surpluses that we need to build new homes and invest in communities and services. We call this 'Profit for a Purpose' – because we believe in what we do, we want to do as much as we can.

We are a dementia-friendly organisation and embrace equality and diversity. We value and invest in our people and are proud to be a Times Top 100 'not for profit company'. Our talented staff team love working for us – and for local people.

What we will deliver

In 2013 we set a 10-year plan to 2023. This guides everything that we do. In 2017-18 we will deliver the following 15 projects against our five long-term objectives:

Objective 1 – Excellent services We will develop, deliver and sustain excellent services to all our customers
• Clarify, simplify and communicate our customer service offer • Introduce a Digital Services programme • Implement new telephone systems to help support our services

Objective 2 – Community needs We will create cohesive and inclusive communities by providing new homes, investing in existing homes and through work in the community
• Deliver our Black Dog Way regeneration scheme (Autumn 2018) • Deliver our Spitfire, Broadway Extra Care scheme for older people (mid 2018) • Assemble a rolling land bank to accommodate 130 homes

Objective 3 – Resources & Value for Money We will make best use of our financial, property assets, ICT and human resources
• Secure £50 million of funding to enable us to deliver circa 400 new homes • Develop a new Pay and Reward Strategy for our people • Develop a Data Strategy for Rooftop Housing Group

Objective 4 – Encouraging innovation We will strive for continuous improvement
• Implement the first phase of the new Housing Management System • Deliver proposals to improve home cost and quality using offsite construction • Deliver an Office Strategy to drive agile and flexible working

Objective 5 – Sustainability We will help to tackle fuel poverty and climate change
• Develop a Rooftop 'Living Homes Standard' for new and existing homes • Develop a neighbourhood living environment proposal and secure funding • Scope implementation of ISO14001 Environmental Management Standard

Understanding our environment

The world is changing around us. We need an estimated 250,000 new homes a year in England. We welcome the Government's Housing White Paper which provided renewed support for homes for rent, as well as Shared Ownership and outright sale. We are committed to building as many affordable homes as we can and will expand our market sale programme to fund our development of rented homes.

As Universal Credit begins in our area from late 2017, we have plans in place to talk to our customers to ensure they understand what it means for them and support them in responding so that their rent is paid. There are wider challenges for our customers as Welfare Reform continues to roll-out, and we will focus much of our community investment on helping people into work.

Demand for health and social care services continues to rise against a backdrop of funding constraints. We will revise our approach to meet as much need as we can through partnerships in Worcestershire and Gloucestershire, and continue to invest in well-being and tackling loneliness and isolation. We are committed to providing homes and support for older people, as well as specialist services for young people and those with learning disabilities. We will expand our support for those suffering domestic abuse.

We will also strengthen our approach to Performance Management to ensure people are clear about what they need to do – and can measure their progress. In a changing world facing the particular uncertainty of Brexit, managing risk is more important than ever and we have implemented a new approach to ensure success in 2017-18.

Key partners

The Group works with several key partners who have a stake in the success of our business, as we do in theirs:

- Wychavon District Council is our main local authority partner in Worcestershire
- In Worcester the Group works with officers at city and county levels
- In Gloucestershire the Group is working with councils in Gloucester, Cheltenham and Tewkesbury
- ExtraCare Charitable Trust
- Matrix Housing Partnership
- NHS Trusts in Worcester, Shrewsbury and Weston-super-Mare
- Homes and Communities Agency
- Fortis Living Group

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 94% of Rooftop's turnover (2016: 88%). The next most significant elements of the business are shared ownership sales (3% of turnover; 2016: 8%) and supporting people (2% of turnover; 2016: 3%). Other activities are negligible.

Financial performance

Rooftop Housing Group Limited

The overall financial performance for the year has been excellent with the Group generating a surplus for the year before taxation of £8.1 million. This is an improvement on the previous year (£7.7 million) and a tremendous achievement in the current difficult economic and financial climate.

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.

Rooftop Housing Association Limited

RHA, the Group's core social housing provider, generated a surplus of £7.4 million (2016: £7.1 million).

This was a significant outperformance of RHA's budgeted surplus of £6.0 million. An important contributor to this was the bad debt charge, which is £0.5 million less than budgeted. RHA continues to assume there could be significant bad debts due to welfare reform and the impact on affordability for residents, but this impact has not yet materialised. In addition, RHA has now collected a significant volume of service charges which were being disputed with the local housing benefit providers, and which the budget had conservatively assumed would be uncollectible.

RHA's turnover from social housing lettings, its core income stream, rose £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, some exempt properties, and conversion of some void properties to higher affordable rents in line with RHA's development contract with the Homes & Communities Agency.

In August 2015, RHA drew down the final £15 million tranche of its agreed funding from Legal & General in line with the contractual terms of the funding. This has led to significant cash balances being held throughout the year. RHA's £17.4 million cash balances at 31 March 2017 are expected to be sufficient to fund RHA's planned capital development programme for 2017-18 and beyond.

RHA is currently in the process of arranging a further £50 million revolving credit facility to enable future development; it is expected that this will first be needed in February 2019. The first £25 million with Santander was completed in May 2017 and we will now begin the process of providing security in order to draw the funding.

This will support a major further new homes programme. Overall RHA expects to complete 757 units over the period from April 2017 to March 2022. The majority of these (502) will be homes for below market rent, but the planned programme also includes open market (45) and shared ownership sales (202), as well as seven gypsy and traveller pitches 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.

Rooftop Homes Limited

RHL, the Group's provider of keyworker accommodation, residential care, market and intermediate rent and garages, has generated a surplus before tax of £0.7 million, an increase on the previous year (£0.6 million). The main reason for the increase is a £134,000 accounting gain on the valuation of RHL's investment properties.

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

During 2017-18 RHL will begin 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 are likely to become an important source of cross-subsidy 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 £62,000. This has been a challenging year for RS&C, with the value of funding from Gloucestershire County Council reducing by two thirds during the year. This is the main contributor to the decline in RS&C's turnover from £2.2 million to £1.7 million.

This follows the end of funding for older people's services from Worcestershire County Council in 2015.

RS&C is now increasingly dependent on the intra-group older people's service contracts with RHA, which represent 30% of RS&C's turnover and run until March 2018. The Group will be reviewing its strategy for supported housing, and the role of RS&C within the Group, during 2017-18.

RS&C approaches these challenges with a strong balance sheet, with £0.6 million available cash.

Principal risks and uncertainties faced

Rooftop have a robust risk management process, fully integrated with our business planning process. This allows the Group to effectively manage the risks associated with new developments and changes in our environment, and focus on the risks and choices we face.

Our existing risk management process has been externally endorsed by our internal auditors and by the In Depth Assessment by the Homes & Communities Agency. However, we consider that the changes in the sector and the economic climate require continuous development of our approach to risk, assurance and compliance. During 2016-17 we created a specialist, high level risk function within Rooftop for the first time, to further develop our process and support leaders and managers. During 2017-18, we intend to strengthen this resource even further.

During the year Rooftop has completed a full review of its risks, improving how risks are assessed and quantified. The principal risks now facing Rooftop, as outlined in the risk map, are:

Risk	Description
Ability to access new debt	Rooftop has significant immediate treasury needs so that funding can be in place to support its ambitious development programme, with drawdowns expected in February 2019. This risk is impacted by the general economic uncertainty created by Brexit. RHA is currently in the process of arranging £50 million new revolving credit facilities. Finalising these facilities and then providing adequate property security is a major priority for the year ahead. The first £25 million funding agreement was signed with Santander in May 2017. In addition, RHL has a current revolving facility which will expire in 2020. Work to consider the refinancing of this will begin during 2017-18. During 2016-17 Rooftop restructured its finance team to increase the focus and specialist resource was made available for treasury activities.
Housing market sales exposure	Rooftop's new development programme includes an expansion of shared ownership sales. In addition, Rooftop will be undertaking a limited number of market sales in the future, beginning with a planned eight sales (four through RHA and four through RHL) during 2018/19. Rooftop recognises that this increases its exposure to the cycle of the housing market, especially given the uncertain political and economic climate.

	Rooftop has extensively modelled sensitivities around reduced sales receipts, and plans to have £11.5 million unallocated revolving credit facilities available to mitigate potential cash shortfalls if sales receipts fall short of expectations.
Regulatory downgrade	Rooftop's received an In Depth Assessment from the Homes & Communities Agency (the social housing regulator) 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. In reviewing its business plan, the Board commissioned external advice from Savills to ensure its plans were in line with this.
Welfare reform – loss of income	The Welfare Reform and Work Act has had a major effect on Rooftop's income streams, particularly in RHA. Further challenges are expected through Universal Credit and caps on Local Housing Allowance. These could have a significant impact on the affordability of our properties for residents, especially more specialist supported schemes. During the year, Rooftop has restructured its housing teams into neighbourhood teams with smaller patch sizes. This will support a more proactive approach to rent payment. We have also increased the number of posts providing work and money advice from two to five. In addition, Rooftop intends to increase the volume of payments received through direct debt from 35% to 45% during the year.
New development not completed on time to cost and specification	Delays or cost overruns of development projects could have a detrimental effect on Rooftop's ability to deliver homes for the communities in which it operates. An internal scrutiny process for development advises on scheme selection using criteria such as strategic fit, and risk considerations. Operational project management mitigates cost, delay and specification risk. A range of internal reporting ensures this risk has high and frequent visibility at senior management and Board levels.
Differential inflation	Given that social rents are no longer index-linked to Consumer Price Inflation (CPI), 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. In addition, Rooftop has a defensive plan which can be enacted in the event of unforeseen costs, such as an unexpected and sustained increase in the cost base.
Increase in variable interest rates	Rooftop has £204 million of loan funding, of which 84% is fixed. This leaves £34 million of variable loans. Rooftop has benefited from falls in LIBOR following the EU referendum, but recognises that there is a high probability of an increase in interest costs in the future. An increase of 3% would equate to a £1 million increase in our interest costs. The Board's current policy is to limit this risk by fixing at least 75% of our portfolio. When Rooftop draws its next £50 million funding, there is potential for this to have a major impact on this risk depending on what proportions of the funding are fixed and variable. We will review our risk appetite during the year, to inform decisions on how much of the new funding to fix.

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.

By order of the Board

N. A. Inchbald

Nicola Inchbald
Chair
19 July 2017

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

We have audited the financial statements of Rooftop Housing Group for the year ended 31 March 2017 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2017 and of the group's and parent association's surplus for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of 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.

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 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 parent association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent 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.

BDO LLP

BDO LLP, statutory auditor
Birmingham
United Kingdom
Date 24 July 2017

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 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	**37,410**	39,061
Operating costs	2	**(20,687)**	(22,385)
Operating surplus	2	**16,723**	16,676
Surplus on disposal of property, plant and equipment	4	**431**	138
Interest receivable	8	**107**	112
Interest and financing costs	9	**(9,351)**	(9,345)
Movement in the fair value of financial instruments	25	**23**	109
Movement in the fair value of investment properties	12	**143**	30
Surplus before taxation	7	**8,076**	7,720
Taxation	10	**(156)**	(113)
Surplus for the year		**7,920**	7,607
Total comprehensive income for the year		**7,920**	7,607

The notes on pages 28 to 52 form part of these financial statements.

Association Statement of Comprehensive Income
For the year ended 31 March 2017

	Notes	**2017** £'000	2016 £'000
Turnover	2	**7,388**	7,822
Operating costs	2	**(7,380)**	(7,810)
Operating surplus	2	**8**	12
Interest receivable	8	**3**	3
Surplus before tax	7	**11**	15
Taxation	10	**1**	(24)
Surplus/(deficit) for the year		**12**	(9)
Total comprehensive income for the year		**12**	(9)

The notes on pages 28 to 52 form part of these financial statements.

Consolidated Statement of Financial Position
At 31 March 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	11	**86**	137
Housing properties	12	**298,067**	286,153
Investment properties	12	**3,717**	3,573
Other property, plant and equipment	12	**77**	81
		301,947	289,944
Current assets			
Inventories		**9**	6
Properties held for sale		**1,524**	686
Debtors receivable in one year	13	**3,182**	3,180
Cash	14	**20,200**	24,745
		24,915	28,617
Creditors: Amounts falling due within one year	15	**(18,588)**	(17,082)
Net current assets		**6,327**	11,535
Total assets less current liabilities		**308,274**	301,479
Creditors: Amounts falling due after more than one year	16	**(251,946)**	(253,055)
Provision for liabilities and charges	17	**(95)**	(111)
Net assets		**56,233**	48,313
Capital and reserves			
Called-up share capital	18	-	-
Revenue reserve		**56,233**	48,313
Total reserves		**56,233**	48,313

The notes on pages 28 to 52 form part of these financial statements.

The financial statements were approved by the Board on 19 July 2017 and were signed on its behalf by:

Secretary	**Board Member**	**Board Member**
CEDykes	M.A. Archibald	S Kettley

Association Statement of Financial Position
At 31 March 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	11	**86**	137
Other property, plant and equipment	12	**77**	81
		163	218
Current assets			
Inventories		**9**	6
Debtors receivable in one year	13	**124**	313
Cash	14	**1,261**	892
		1,394	1,211
Creditors: Amounts falling due within one year	15	**(1,192)**	(1,076)
Net current assets		**202**	135
Total assets less current liabilities		**365**	353
Creditors: Amounts falling due after more than one year	16	**-**	-
Provision for liabilities	17	**6**	6
Net assets		**371**	359
Capital and reserves			
Share capital	18	**-**	-
Revenue reserve		**371**	359
Total reserves		**371**	359

The notes on pages 28 to 52 form part of these financial statements.

The financial statements were approved by the Board on 19 July 2017 and were signed on its behalf by:

Secretary	**Board Member**	**Board Member**
CE Dykes	M.A. Archibald	S. Keltley

Consolidated Statement of Changes in Reserves For the year ended 31 March 2017

	Revenue reserve	Total
	£'000	£'000
Balance as at 1 April 2015	40,706	40,706
Surplus for the year	7,607	7,607
Balance at 31 March 2016	48,313	48,313
Surplus for the year	7,920	7,920
At 31 March 2017	**56,233**	**56,233**

The notes on pages 28 to 52 form part of these financial statements.

Association Statement of Changes in Reserves
For the year ended 31 March 2017

	Revenue reserve	Total
	£'000	£'000
Balance as at 1 April 2015	368	368
Surplus for the year	(9)	(9)
Balance at 31 March 2016	359	359
Surplus for the year	12	12
At 31 March 2017	**371**	**371**

The notes on pages 28 to 52 form part of these financial statements.