Red Kite Community Housing

Red Kite Community Housing Ltd

Value for Money
Report 2020

Extract from the Annual Report and Accounts for the year ending 31 March 2020

Partnership • Respect • Pride
Realising the potential in our communities

Strategic Report (continued)

Value for Money Report

Overview

This report, prepared according to the Value for Money Standard April 2018, relates to the period 1st April 2019 to 31st March 2020. It has been prepared in light of our VfM strategy, "Our Strategic Approach to Value for Money" updated and approved by the Board this year.

The Value for Money standard requires us to report against seven metrics defined by the Regulator at group level (although some require measurement against social housing assets) and against additional measures selected by the Board which are appropriate to the business priorities. The measures will include the performance of Red Kite and its subsidiaries including its unregistered housing charity, Twenty11 Homes Limited. In reporting we are required to consider actual performance, previous year's performance, future forecasts and targets against forecasts in relation to strategic objectives. The Board has approved targets/ guide rails for both the metrics defined by the Regulator and those defined by Red Kite. We will report against these going forward. Red Kite's approach to measurement (for VfM and for our performance framework) is to set guide rails within which achievement is regarded as appropriate and outside which a comment would be made. In some cases, an absolute target with guide rails as a percentage of this is appropriate (e.g. where a measure corresponds to a budget figure). The Board have, this year, made some adjustments to Red Kite metrics going forward and these are set out in that section of the report.

Standard Metrics

The seven standard metrics required by the Regulator can be drawn from audited accounts and benchmarked against the RSH's VfM metrics 2019 for comparative purposes. They are therefore of necessity in the main financial metrics. We report on them below – but note, where the Standard refers to "Housing Properties" we use "Homes" as the preferred Red Kite terminology.

Forecasts and Benchmarking Where the metrics relate to measurable items within the business plan, the forecast figures are drawn from the 30-year business plan approved by the Board in March 2020. We have also included, from that plan, the forecast figures for the years ending 31st March 2021 to 2025 (the first year being based on the approved budget).

For benchmarking we have used the VfM metrics 2019 – published by the Regulator based on sector wide accounts where available or Sector Scorecard 2019 where not. Note that where the benchmark is extrapolated forward it might not represent where the quartiles sit in future years, so it compares a future forecast figure for Red Kite against most recent benchmark information.

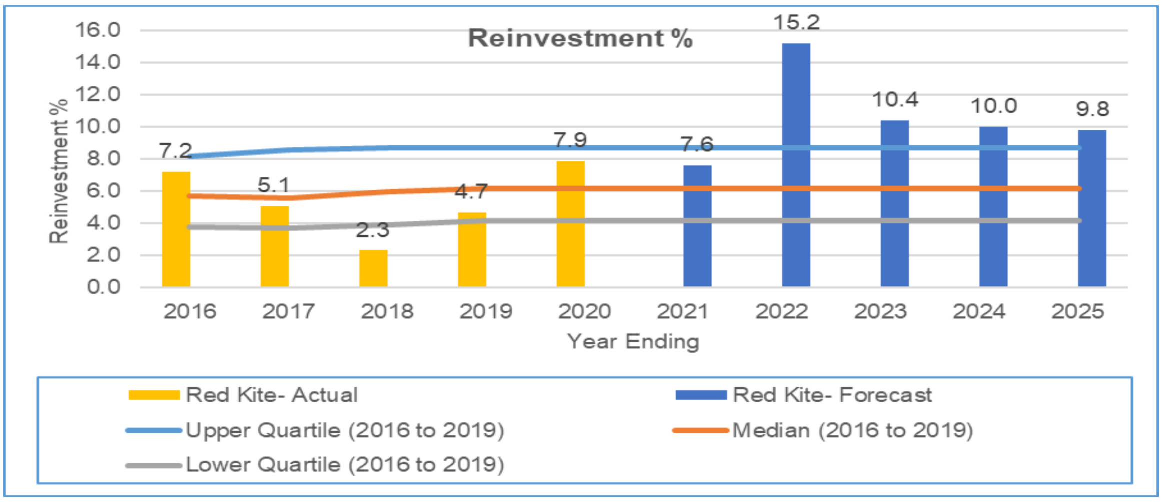
Targets have been set for the standard metrics based on budget with guide rails either side. The principle of using guide rails is that where metrics (either VfM or corporate performance) are outside the guide rails, this triggers a mitigating action and a review by Board or a designated Board Committee.

Strategic Report (continued)

Value for Money Report (continued)

Required VfM measures				
KPI No.	**Description**	**Lower Guiderail**	**Upper Guiderail**	**Comment**
1	Reinvestment percentage	90%	105%	Based on 2020 budgeted figure
2 (i)	New supply (social)	80%	97%	Based on 2020 budgeted figure
2 (ii)	New supply (non-social)	80%	97%	
3	Gearing	95%	115%	Based on 2020 budgeted figure
4	EBITDA (MRI)	95%	115%	Based on 2020 budgeted figure
5	Cost per home	90%	105%	Based on 2020 budgeted figure
6 (i)	Operating margin (social)	95%	115%	Based on 2020 budgeted figure
6 (ii)	Operating margin (overall)	95%	115%	Based on 2020 budgeted figure
7	Return on Capital Employed	95%	115%	Based on 2020 budgeted figure

Metric 1: Reinvestment percentage



(Investment in existing and new Homes/Value of Homes at period end)

Budget for y.e. 31 Mar 2021 is 7.6%, Lower guide rail 6.8%, Upper guide rail 8.0%%

The benchmark quartile figures are taken from the sector scorecard figures for the year to March 2019 (the latest figures available) with actual comparatives for the years 2016 to 2020.

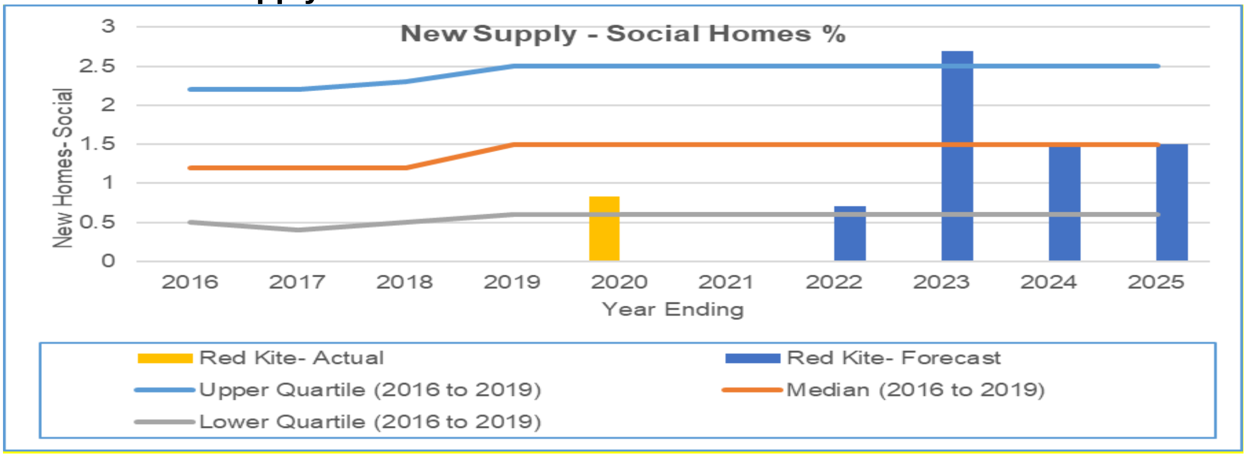
The metric, which is on a group basis, reflects delays in our development programme which have been due to difficulties in obtaining planning permission; the impact of which is to push the plan out to March 2022 and for the first time includes the plan to build 120 homes per year for the following 5 years. Nevertheless, the increase this year shows that some development activity has been possible. The revised plan approved by the Board for 500 homes in the first instance is reflected in the large increase in reinvestment in 2022 and 2023. It takes into account both capital investment in our existing homes and investment in new homes. Investment is between the median and upper quartile (both for the reported year and this year) but is forecast to increase to above the top quartile after that.

Strategic Report (continued)

Value for Money Report (continued)

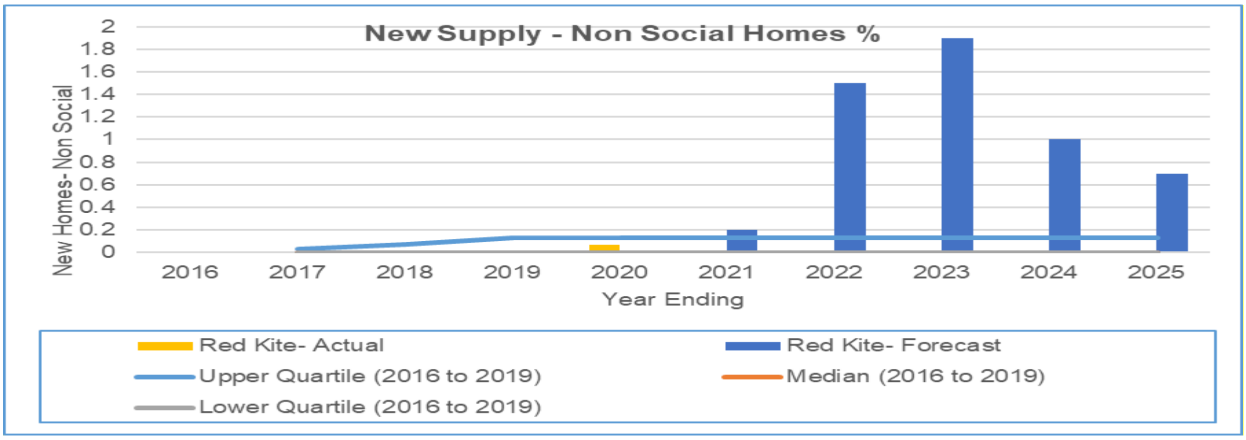
This year the business plan reflects the approved development strategy to develop initially a maximum of 500 and thereafter a further 120 homes per year for the following 5 years and the metric shows this in the forecast.

Metric 2: New supply delivered



(Total homes acquired or developed in the period/Total homes held at the end of the Period)

Budget for y.e. 31 Mar 2021 is 0.0%



(Total homes acquired or developed in the period/Total homes held at the end of the Period)

Budget for year ending 31 Mar 2020 is 0.2%, Lower guide rail 0.16%, Upper guide rail 0.19%

This metric is on a group basis but there is a requirement to distinguish between social and non-social homes. On a strict interpretation of the definition of social homes, development homes transferred to Twenty11 are not included within this definition even though they will be discounted below 80% of market value and qualify as meeting Twenty11's charitable purpose. For this reason, the new supply of social homes is relatively small; the development programme all being included in the second graph.

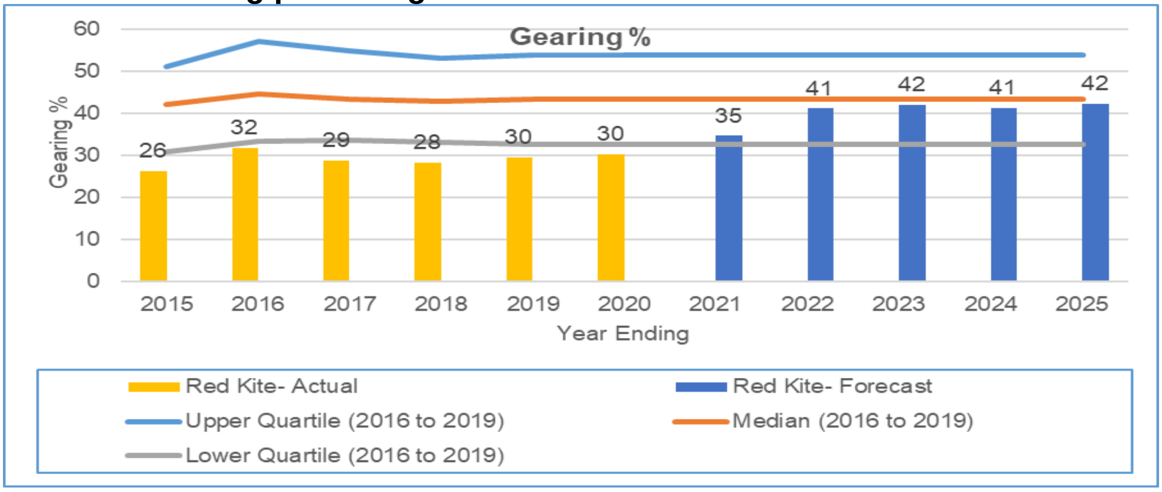
Whilst there is very little supply which is planned to be delivered in the year to 31st March 2021 this is largely a timing issue due to delays in planning. There were a number of homes delivered in 2020 and the programme is indicating a strong supply of new homes in the following financial years as schemes get built out.

Strategic Report (continued)

Value for Money Report (continued)

The supply of new social homes in the year ending 31st March 2020 was at a higher level than budgeted in part due to section 106 homes needing to be developed in Red Kite.

Metric 3: Gearing percentage



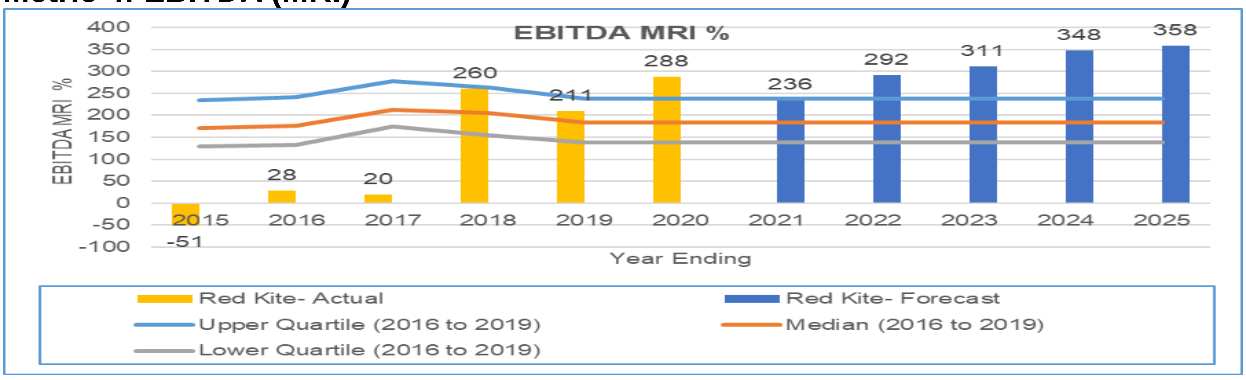
(Net debt/Value of Homes at period end)

Budget for y.e. 31 Mar 2021 is 35%, Lower guide rail 33%, Upper guide rail 40%

Gearing shows the extent to which our investment depends upon debt, measured on a group basis. It has traditionally been quite low due to delays in the development programme but increases to around benchmark median as our development programme gets built. We need to be mindful of our financial covenant that gearing should not exceed 55% and our golden rule sets a maximum level of 50% before intervention is required.

We are a young organisation, being a stock transfer from Wycombe District Council at the end of 2011. The Board took a strategic decision for Red Kite to concentrate in its early years on fulfilling the stock improvement promises made to its residents (investing in our existing homes) before embarking upon development activity. The next stage of our Corporate Journey involved establishing our development programme of a minimum of 375 new homes, but this has been revised to 1100 homes by March 2028. Our relatively low gearing and significant amounts of unencumbered stock give us capacity to support sustained development in future.

Metric 4: EBITDA (MRI)



Operating surplus adjusted for depreciation and grant and capital investment in properties/interest cost)

Budget for y. e. 31 Mar 2021 is 236%, Lower guide rail 224%, Upper guide rail 271%

Strategic Report (continued)

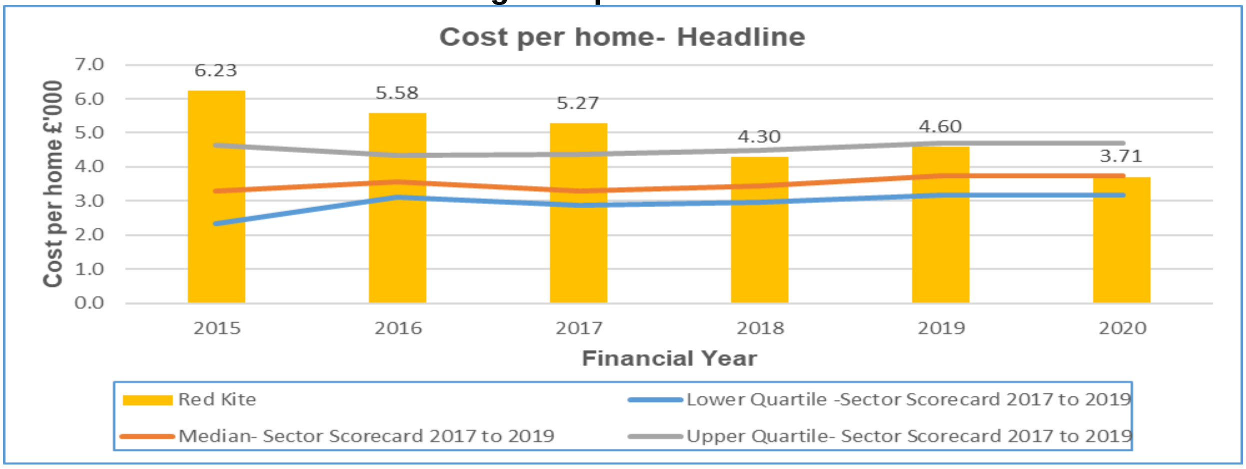
Value for Money Report (continued)

A key performance measure for funding, EBITDA (MRI) achieved and forecasted, is comfortably above our covenant ratio and indeed our more challenging golden rule of 130%.

The significant improvement since 2018 reflects the very significant spend made in Red Kite in the first five years of its existence on improvements to its existing homes (see Metric 1 above) and the reduction in interest cost occasioned by our re-financing in 2017. Red Kite delivered its promised investment in existing homes by December 2016 at a cost of £34m less than originally budgeted.

Although Red Kite still has a significant programme of investment in its homes, (see Metric 5 and Metric C below) our EBITDA (MRI) shows a strengthening financial position and strong interest cover going forward. This supports the Board's ambitions to carry out a sustained programme of development beyond its original plan.

Metric 5: Headline social housing cost per home



For comparative purposes note that "upper quartile" here means high (so a worse performance).

Historically Red Kite had very high costs per home, due to a high level of capital investment in our homes during the early years as we completed the promises made to our tenants at stock transfer. In the last three years cost per home has decreased significantly in maintenance and service charge costs we are at median or below.

Management cost increased this year but was still at budgeted level and below sector top quartile. Investment in our homes (itself still higher than sector top quartile) also reduced significantly and consequently our overall cost per home is now at sector median levels. The Board continues to invest based upon stock condition information and our higher 'Red Kite standard', agreed with tenants, above the base decent homes standard. This is a measure of our commitment to our residents and not unusual within a relatively new stock transfer. The apparent increase in 2021 reflects the relatively conservative approach to budgeting. Actual cost achieved was lower than budget this year.

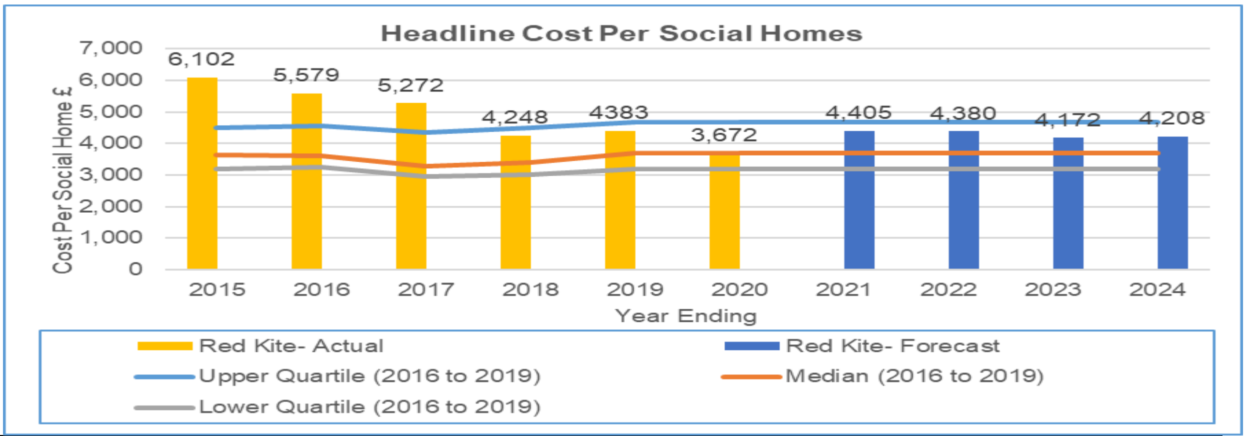
Further analysis of our cost per home is shown in Metric C. We have targeted reduction of management cost over the three years to March 2019 and this reduced due to diversification of activities and in and to efficiency savings. Although it increased this year it is still broadly comparable with other local Registered Providers.

Report (continued)

Value for Money Report (continued)

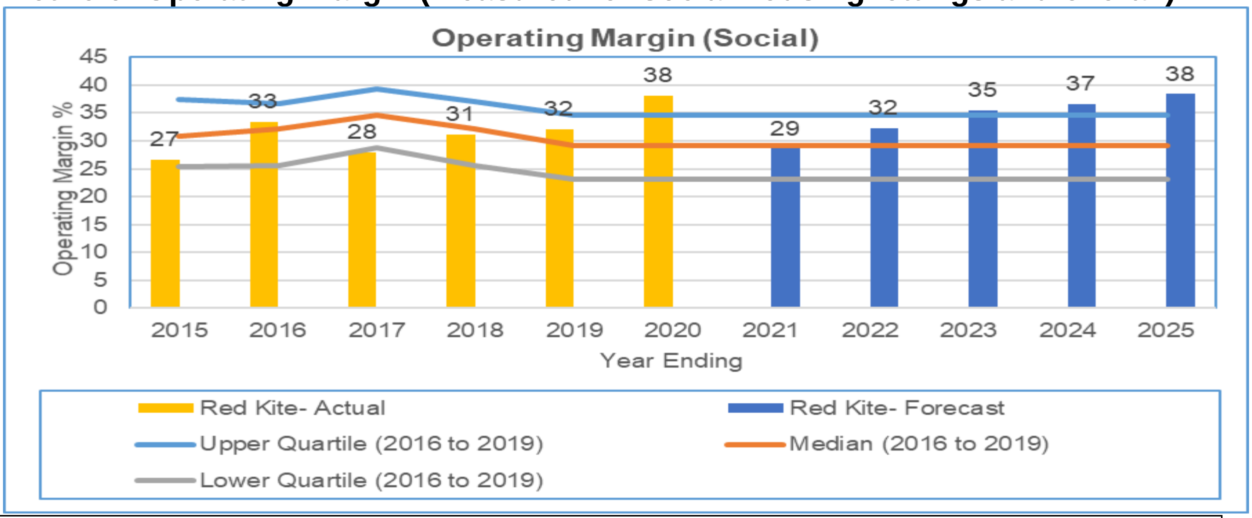
We will continue to manage these costs whilst ensuring that there is sufficient investment to meet our corporate objectives. For more detailed commentary see Metric C below.

Looking forward, using comparative data from the Sector Scorecard (see below), we are forecasting cost per home to stabilise at just below the level achieved in 2018 and 2019. As well as a strategy to invest more in our homes, we also make a significant investment within tenant involvement and community investment (including £100k a year invested in community projects via our Springboard fund); these figures are not included in our cost per home but represent a real investment in the community.



Budget for y.e. 31 Mar 2021 is £4,405, Lower guide rail £3,965 Upper guide rail £4,625

Metric 6: Operating margin (measured for social housing lettings and overall)



Budget for y.e. 31 Mar 2021 is 29%, Lower guide rail 27.5%, Upper guide rail 33.5%

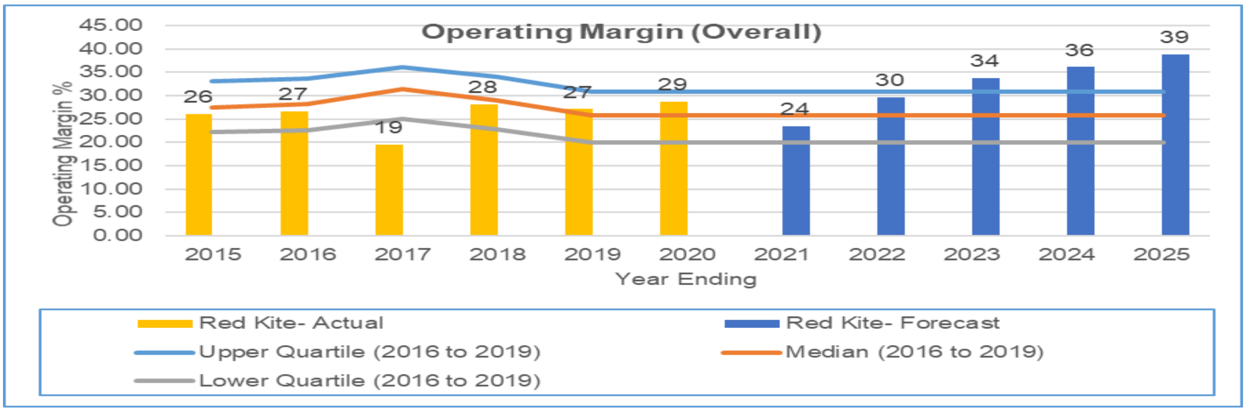
Our operating margin – social housing sits around the median and is predicted to decrease slightly in the year to March 2021, although the result reported this year was stronger than expected.

We are forecasting an improvement to current median by March 2023. The improvement will come from the change to rental restrictions and efficiencies through development of our Information Technology systems without compromising our investment in our homes.

Report (continued)

Value for Money Report (continued)

The full economic impact of the Covid-19 lockdown on the economy lead to a lower operating margin depending upon its impact upon rents and costs; at this stage it is difficult to model this with any confidence and so a further review of the plan will be made later in the year.



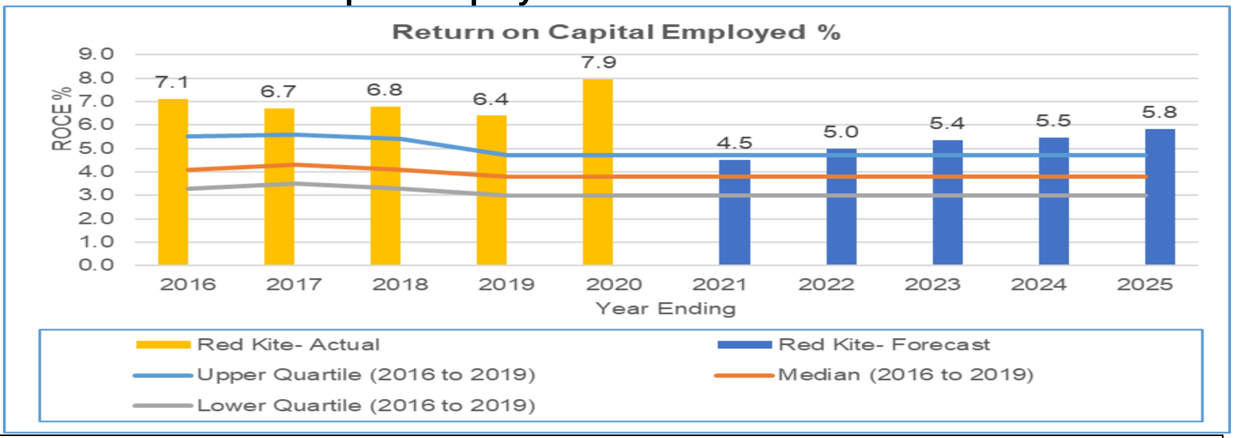
Budget for y.e. 31 Mar 2021 is 24%, Lower guide rail 22.8%, Upper guide rail 27.6%

Overall operating margin follows a similar pattern to operating margin - social housing.

The level of operating margin from 2015 to 2017 is due to the investment in our homes, some of which is taken through the Income and Expenditure account; efficiencies made in the business enabled us to manage the change in government rental policy and this and this can be seen in the recovery from 2018.

The strong predicted improvement in operating margin from the year ended 31st March 2022 reflects both the lower required investment in our homes (still significantly higher than sector average – see Metric C) and the change in government rent setting policy (from a 1% year on year actual reduction to CPI + 1% from this year).

Metric 7: Return on Capital Employed



Budget for y.e. 31 Mar 2020 is 4.5%, Lower guide rail 4.3%, Upper guide rail 5.2%

Our ROCE result demonstrates a strong performance against budget this year; it is an indicator of our financial strength which will support our growth ambitions going forward.

Report (continued)

Value for Money Report (continued)

We are forecasting it to remain at or above the sector upper quartile figure. We are currently, whilst managing the impact of the Covid-19 crisis upon our business, customers and staff, focussing our efforts on delivering our development plan and providing new housing solutions through the set-up of our group structures. Moving forward however, the Board will look to review our future growth plans to utilise our financial strength to maximise our ability to achieve our corporate “why?” – namely “To realise the potential of our communities”

Comparison of standard metrics to other local Housing Associations

Unfortunately, current RSH comparative available information is from 2018/19. A detailed comparison is supplied on the next page of current and 2018/19 metrics against a local comparator group. From this we can see the following.

The reinvestment metric (in 2019/20) is slightly above median for consolidated accounts, which reflects to an extent the level of investment in existing homes but also an increase in the new supply (social) which whilst below the median is showing the impact of some planned new homes coming through.

Gearing and EBITDA(MRI) are both better than other comparator organisations and significantly better than median for 2018/19. Commentary is provided on the detailed breakdown of CPU (in Red Kite we refer to cost per home) under Metric C below but the overall social housing cost per home in Red Kite in 2019/20 has reduced to £3,710 very close to the median cost for the comparator group for 2018/19. The main reason for this is the cost of investment in Major repairs, whilst still high, a reflection of our commitment to improve our residents’ homes, is significantly lower than in previous years.

Operating margin compares very favourably to the median, whether taken overall or as a social housings lettings figures, as does Return on Capital Employed. There is a significant difference in the overall operating margin and that which relates to social lettings as the overall margin includes other items the most significant being the impact of the fraud suffered during the year and uncapitalised development costs; even taking this into account the margin is better than the median figure.

These very strong results speak strongly of the financial robustness of Red Kite which in a period of uncertainty (with a prolonged Covid-19 pandemic and the expectation of a significant recession) should allow us to complete our strategic plan (itself the subject of review and refresh this coming year).

Report (continued)

Value for Money Report (continued)

RPs selected -->	Red Kite Community Housing Limited	Red Kite Community Housing Limited	B3 Living Limited	Housing Solutions	Paradigm Housing Group Limited	Hightown Housing Association Limited	Silva Homes Limited	Sovereign Housing Association Limited	Vale of Aylesbury Housing Trust Limited	Watford Community Housing Trust	Median figures (Consoli-dated - ie all RPs)
CPU Year	2019/20	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
Homes in managemen	5,679	5,775	4,107	5,633	13,817	5,342	6,448	53,263	7,626	4,857	
Metric 1 - Reinvestment	7.9%	4.4%	11.7%	6.7%	3.9%	14.7%	8.2%	6.3%	4.3%	12.3%	**6.2%**
Metric 2a - New supply delivered (social)	0.8%	0.0%	3.4%	2.1%	2.6%	7.6%	2.7%	2.6%	1.1%	1.3%	**1.4%**
Metric 2b - New supply delivered non-social housing units	0.13%	0.00%	0.00%	0.00%	0.14%	0.00%	0.00%	0.13%	0.06%	0.00%	**0.00%**
Metric 3 - Gearing %	30.0%	26.0%	75.6%	52.6%	54.0%	58.5%	37.4%	45.4%	39.0%	43.5%	**43.4%**
Metric 4 - EBITDA (MRI)	288.0%	207.0%	226.8%	138.8%	157.6%	237.2%	216.5%	257.2%	285.3%	197.4%	**184.2%**
Metric 5 - Headline social housing costs per unit	£ 3,674	£ 4,383	£ 3,649	£ 3,676	£ 3,543	£ 6,990	£ 4,106	£ 3,065	£ 4,033	£ 3,862	**£ 3,695**
Metric 6a - Operating margin (SHL) %	38.0%	32.0%	48.6%	39.3%	47.0%	33.5%	28.3%	40.3%	21.0%	32.6%	**29.2%**
Metric 6b - Operating margin (Overall) %	29.0%	26.6%	44.8%	40.1%	36.8%	30.9%	27.5%	34.9%	22.7%	32.5%	**25.8%**
Metric 7 - Return on capital employed (ROCE)	7.9%	7.6%	6.9%	3.5%	4.0%	4.0%	3.0%	3.9%	3.9%	3.8%	**3.8%**

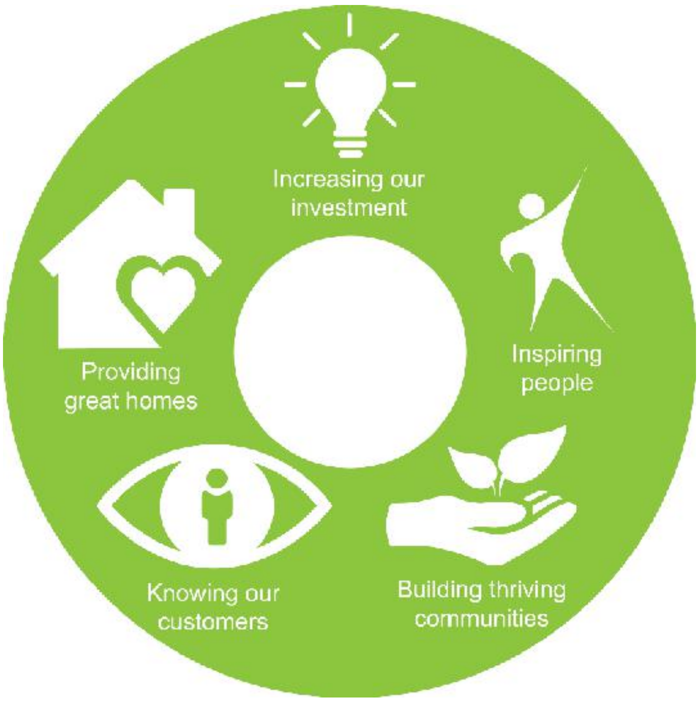
Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives)

The Standard allows for RPs to select additional metrics which demonstrate performance against Corporate Objectives and the range of activities that the Group undertakes. Last year we have set guide rails for each measure; defined two new measures to monitor the performance of Twenty11 and refined our approach to measuring tenant participation. We have replaced metric B this year (as we no longer use the 9-box grid). Each metric is referenced to relevant corporate objectives. To distinguish the Red Kite Metrics from the standard Metrics they are numbered alphanumerically.

Red Kite's Corporate strategy is expressed within "Our Corporate Journey" agreed by the Board in 2016. "Our Corporate Journey" starts with Red Kite's history and its foundation as a tenant led organisation. It goes on to express our purpose "To realise the potential of our communities" and expresses that in terms of five Corporate Objectives



Report (continued)

Value for Money Report (continued)

The Board set guide rails in May 2019 for Red Kite defined measures and these were reviewed this year by the Finance Committee (delegated to do so by the Board) and as reviewed are noted below.

Red Kite measures				
KPI No	**Description**	**Lower Guide rail**	**Upper Guide rail**	**Corporate objective**
A1	Membership	825	975	Tenant Led
A2	Tenant participation - influencing	20	40	
B	%age staff who recommend/are proud of working at Red Kite	72%	80%	Inspiring people
C	CPH Management	90%	105%	Providing great homes Increasing our investment
	CPH Service Charges	90%	105%	
	CPH Maintenance	90%	105%	
	CPH Major Repairs	90%	105%	
D	Occupancy Level - General	99.4%	99.7%	Providing great homes
	Occupancy Level - Sheltered	98.9%	99.4%	
	Rents Collected	99.9%	100.4%	
E1	Customer satisfaction - repairs	85%	93%	Knowing our customers
	Customer satisfaction – ASB (satisfied with neighbourhood)	80%	90%	
E2	Positive/negative feedback	85%	97.5%	
F	Development plan mix (affordable homes)	163/375	189/375	Commitment to the community
G1	Twenty11 – average Tenancy Sustainment Licence Score	97	105	Providing great homes
G2	Twenty 11 – discounted rental as a %age of market rental	60%	68%	

Measure B is new this year and is measured absolutely against a target in the Corporate Journey to achieve a level of 75% satisfaction by December 2021.

Being a Tenant Led Organisation
(Corporate Objectives; Knowing Our Customers and Inspiring People)

Metric A1: Membership

For the year ending 31 Mar 2021 Lower guide rail is 800, Upper guide rail is 950

Report (continued)

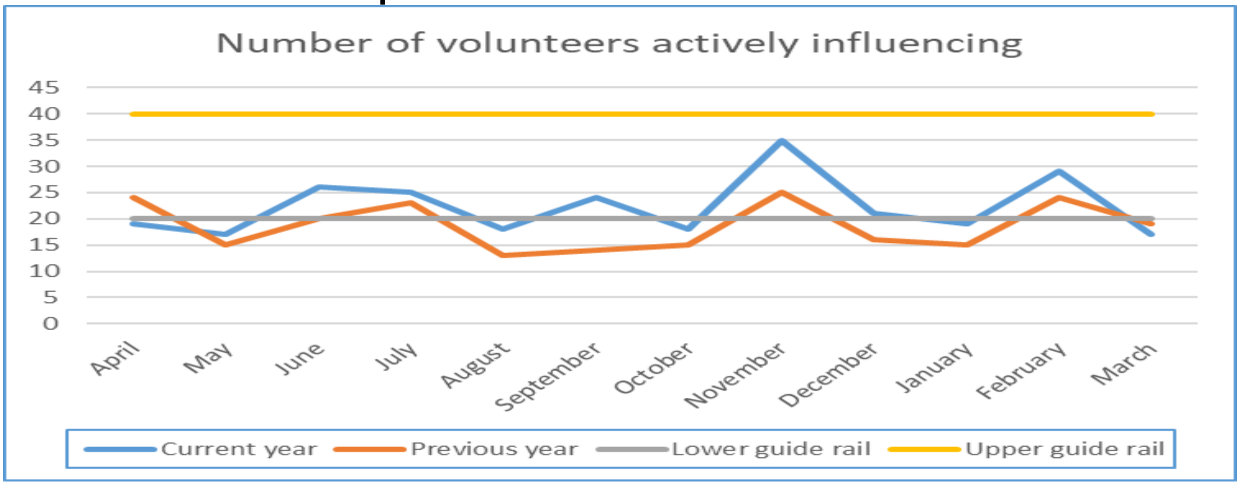
Value for Money Report (continued)

As a tenant led organisation, we have an open membership and encourage tenant participation in decision making. Membership is formally measured on the occasion of Board meetings; hence this graph does not measure it every month.

Our membership grew each year since Red Kite was set up in 2012 until the year ending March 2018. There was a conscious effort in 2017 to recruit new members whilst we were consulting about the future direction of Red Kite prior to setting up the new group structure. Since then there has been no similar focussed campaign and membership has declined although still within the guide rails and at a higher level than in March 2017. The guiderails have been adjusted this year (to 825 lower, 975 higher) as there are less Red Kite tenants (due to the transfer of some homes to Twenty11).

The value of setting guide rails for this measure is it will require consideration about how we could actively promote wider membership going forward the key to which is linked to Metric A2 below.

Metric A2: Tenant Participation



For the years ending 31 Mar 2020 and 31 March 2021 Lower guide rail - 20, Upper guide rail - 40

This measure is part of our overall performance framework of KPIs monitored by the Board (in this case in the first instance by the People, Operational Performance and Policy Committee – henceforth in this document PPP).

This year the number has oscillated around the lower guide rail which was set for this measure by Board both for the year to March 2019 and the current financial year. In the previous year the average number influencing per month was lower (18.6) in comparison to this year (22.3) This reverses a previous decline and indicates some measure of success of the Customer Engagement Manager recruited during the year working with our Residents Representative Team) to improve this.

We recruited ten new volunteers to work with us in a variety of areas since January this year. The decline in March this year was not surprising in view of the movement of the country to lockdown, but we are working to reverse this as the country gradually emerges from this situation and as volunteers begin to take on the challenge of working virtually.

Report (continued)

Value for Money Report (continued)

Inspiring People

Metric B: %age staff who recommend/are proud of working at Red Kite

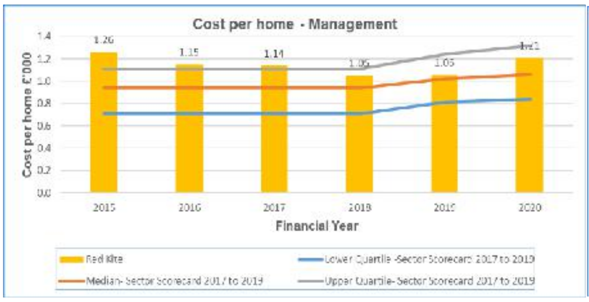
This new metric (for 2020-21) replaces the old one of the nine-box grid because this is no longer being used to measure staff performance and potential because it was not well received or understood by staff.

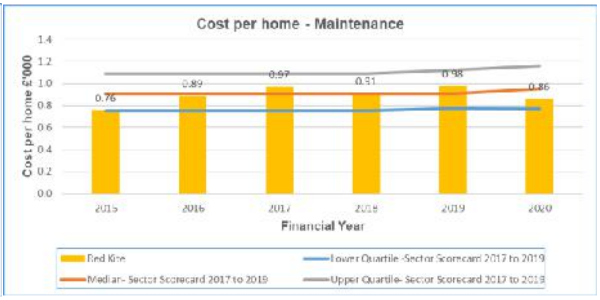
Instead we are measuring the overall %age of our staff who would recommend Red Kite as a place to work. At the time of the last survey this had recovered from a low of 44% to 63% and we are re-measuring that again currently and hope to have the result prior to the Board meeting in July.

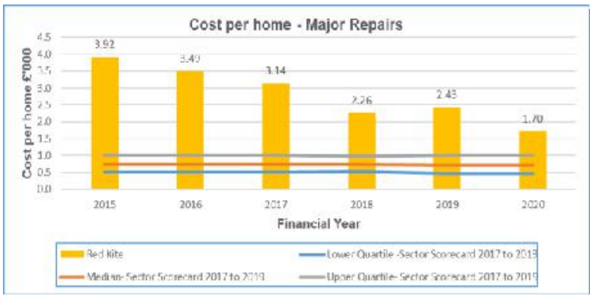
The target set in the Corporate Journey was for more than 75% to say they would recommend Red Kite as a place to work and so that is the target with guiderails set at 72% and 78% of staff.

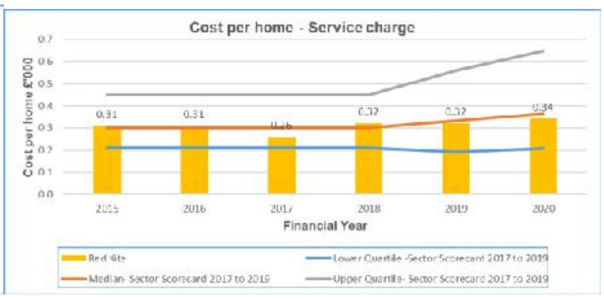
C) Providing Great Homes and Increasing our Investment

Metric C: Cost of Homes Broken into individual Components









Component	Budget	Lower guide rail	Upper guide rail
Management	£1,166	£1,049	£1,224
Maintenance	£814	£733	£855
Major repairs	£1,694	£1,525	£1,779
Service charges	£336	£319	£353

This metric has been chosen because it gives the Board a better insight into Metric 5 and ensures that we are investing in our homes in a way that achieves good value but is also consistent with our overall corporate aims. The figures, as per overall cost per home (Metric 5) are benchmarked against the Global Accounts.

Report (continued)

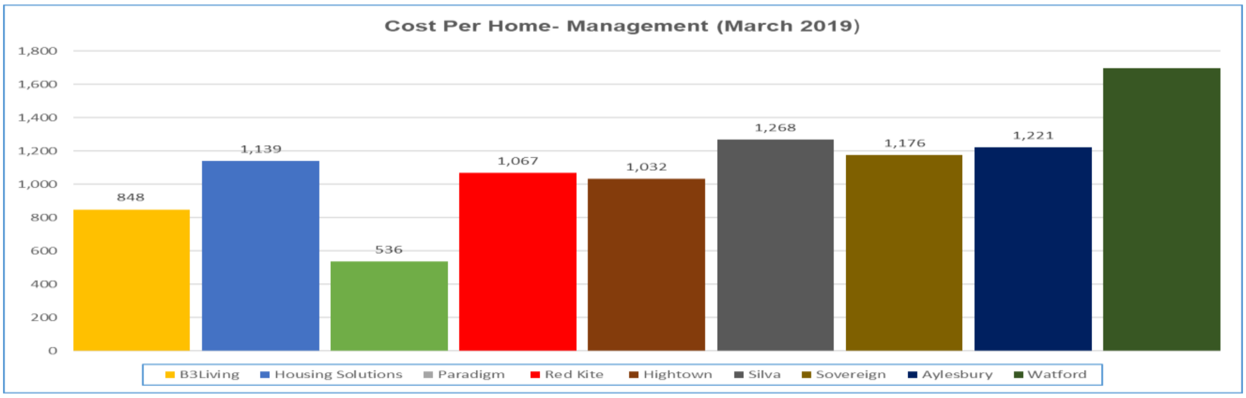
Value for Money Report (continued)

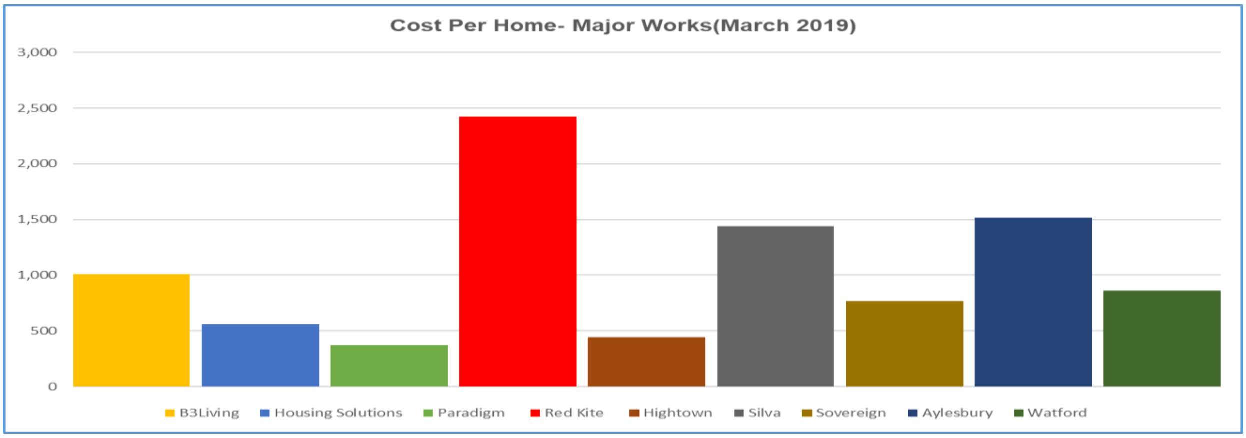
When broken down to its components it is clear that, whilst overall cost per home is coming down this year is at sector median, it is in the area of management cost and major repairs that Red Kite is high. (As noted above in this context upper quartile means the higher level of cost and not the best performance).

Management cost after a steady decrease over three years to close to the median for the sector showed an increase this year (though still close to sector median and within our guiderails). This reflects our approach towards Value for Money which is to look for every opportunity to improve either the efficiency or effectiveness of our approach.

Major repair cost swamps the other parts of the overall cost per home calculation. It came down very significantly in the year to March 2018 as we completed our promises in the stock transfer in December 2016 and again in the last financial year (as per budget) but is still high compared to sector norms. However, this is based on a conscious decision on the Board's part to invest in our existing homes to the Red Kite standard which is beyond the decent homes standard and is not untypical for relatively new stock transfers.

As other companies in the sector review the state of their stock in the light of the government's carbon neutral policies it is likely that in future our investment will more closely reflect sector norms as we have made a good start here and still have significant planned investment in future years. Comparing Red Kite cost to other RPs in our vicinity (all figures taken from published Global Accounts for 2019) is also illuminating.





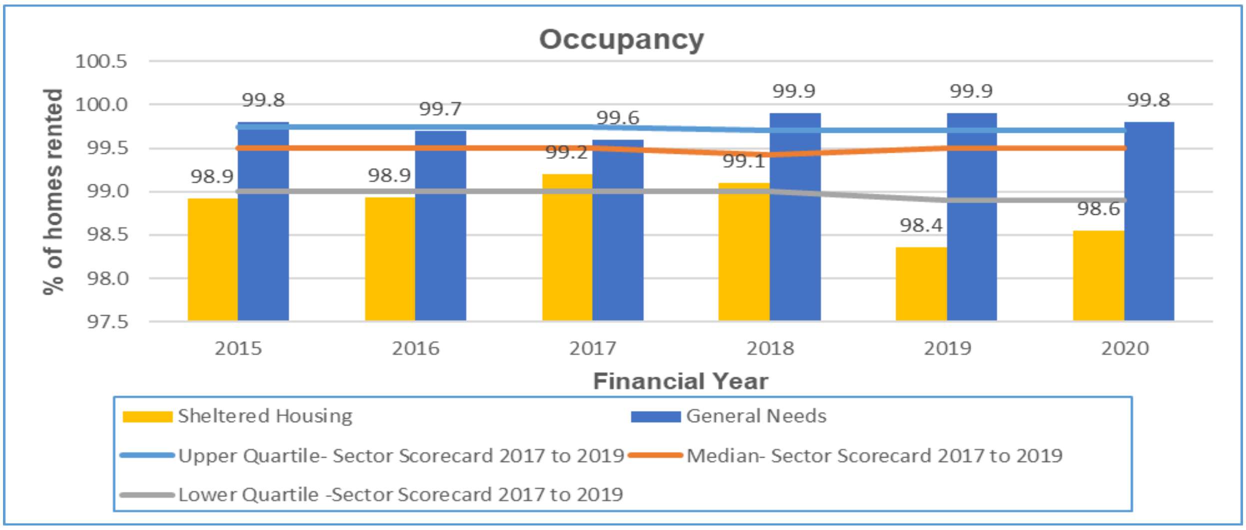
Report (continued)

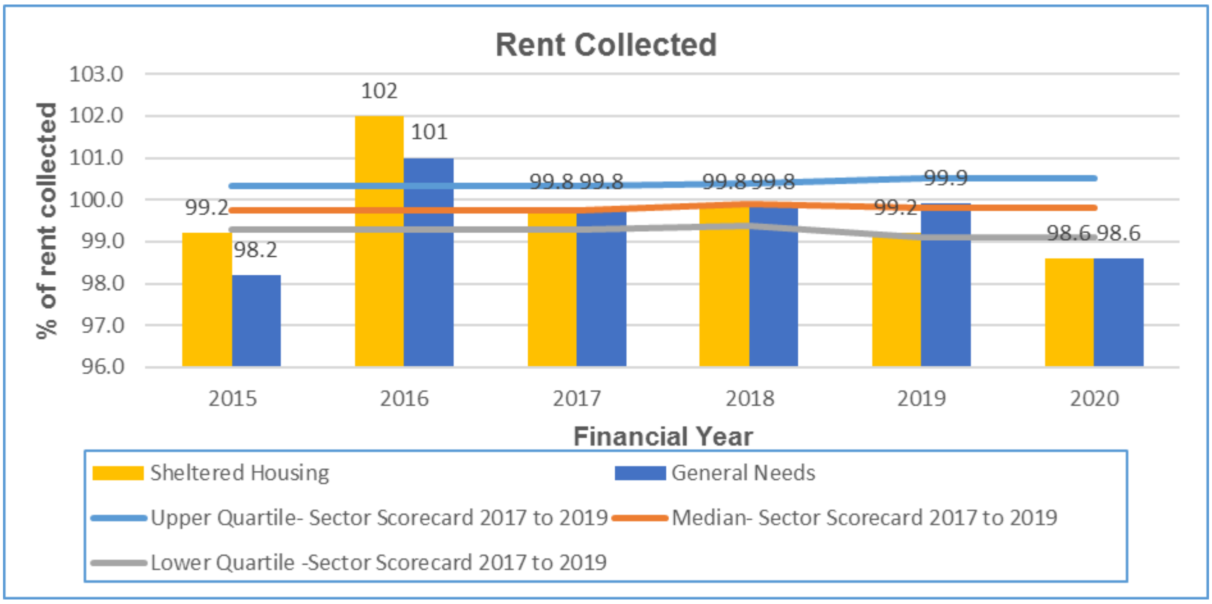
Value for Money Report (continued)

We are investing significantly more in our existing homes in improvements (major repairs) as a conscious, positive strategy consistent with our Corporate Objectives (Providing Great Homes, Increasing our Investment). However, for management cost per home we are generally, at a similar level to most peers.

D) Providing Great Homes

Metric D1 and D2 - Occupancy level and rents collected





Measure	Lower guide rail	Upper guide rail
Occupancy (general)	99.4%	99.7%
Occupancy (sheltered)	98.9%	99.4%
Rents collected	99.9%	100.4%

Report (continued)

Value for Money Report (continued)

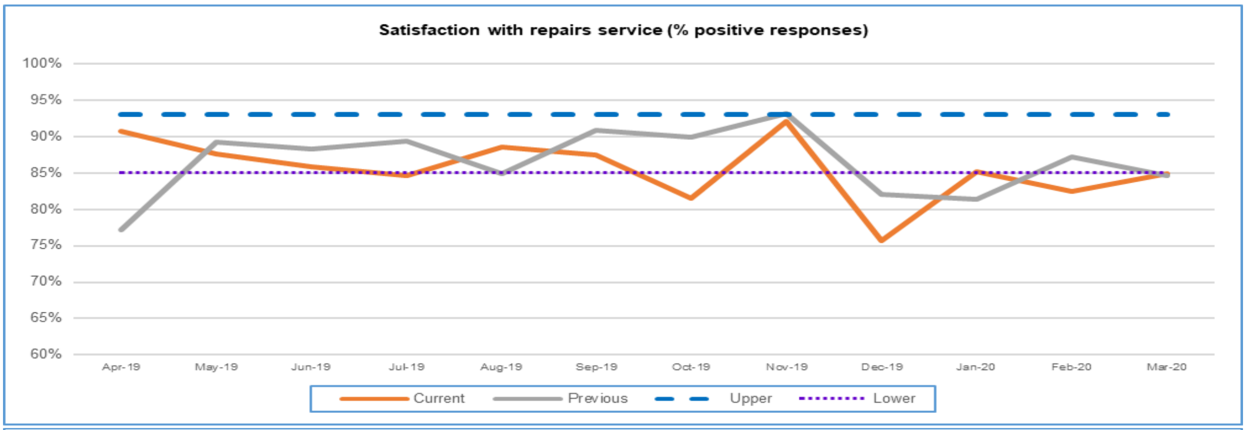
We monitor occupancy rate and rents collected to measure the effectiveness in providing homes to our customers. The benchmark figures are taken from Sector Scorecard information and relate to general needs homes only.

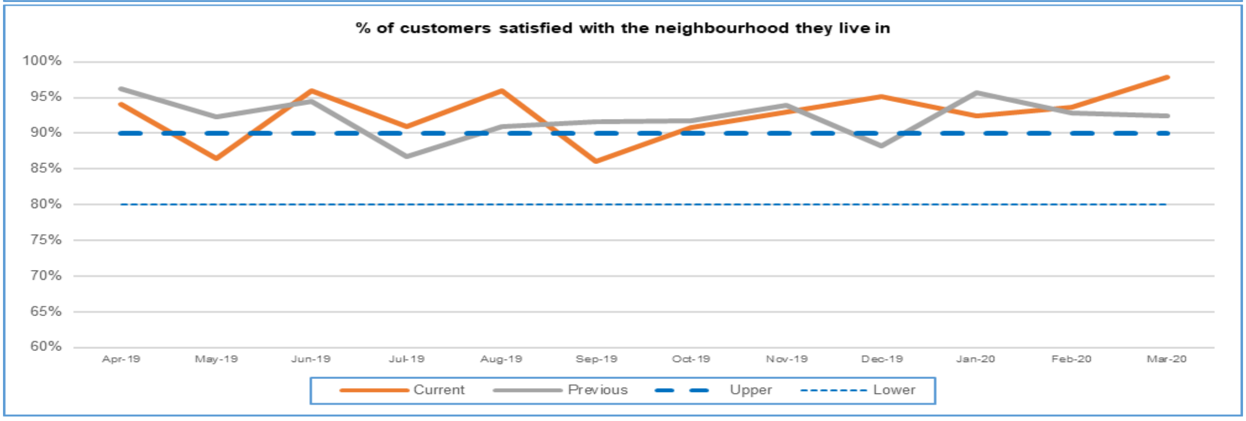
We target maximising our occupancy levels and rents collected and pay attention to any decrease. The rent collected was lower than the historically performance and a key influence has been the increased number of tenants transferring to Universal Credit during the year. There is expect to be an impact on these figures in the year to March 31st 2021 due to the restrictions imposed on filling vacancies and the economic impact of the expected downturn. This will be monitored carefully.

Our occupancy levels are significantly lower in our sheltered housing accommodation where there is a higher churn and an oversupply of the traditional type of housing in the area, and indeed these have fallen below the lower guiderail in the last two years. To address this the first sheltered housing review led to the closure of a number of schemes some of which have been included as sites for development and others sold and two mixed schemes were converted to all general needs. We started a second review this year (2019-20) because the initial review identified a need for further action. The aim is to conclude the review this financial year with implementation to follow thereafter.

E) Knowing our Customers

Metric E1: Customer satisfaction





Report (continued)

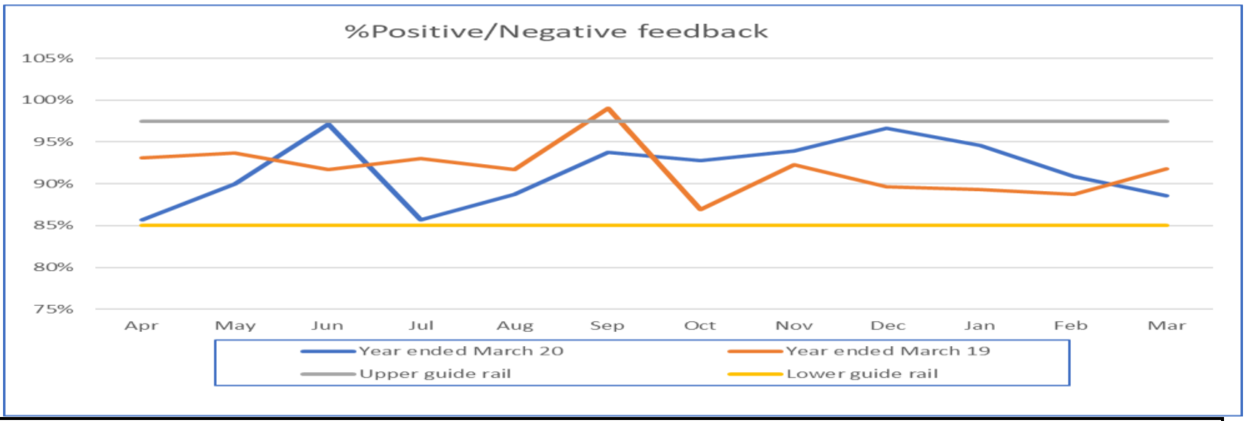
Value for Money Report (continued)

Measure	Lower guide rail	Upper guide rail
Satisfaction with repairs service	85%	93%
Satisfaction with neighbourhood	80%	90%

The two most important issues, according to customer feedback, are repairs and anti-social behaviour. The measures above are indicators of our success in dealing with these issues (the second one considers feedback across all neighbourhoods). The two metrics' guide rails are set by Board as part of our performance framework.

Satisfaction in repairs was reasonably good until December, where we experienced a dip. We have worked with the main contractor to address this and satisfaction levels improved again towards the end of the year. The second measure shows a high level of customer satisfaction with the neighbourhoods in which they live and is consistent with last year's performance. We are conscious that the issues surrounding Anti-Social Behaviour are complex and very real for those tenants that experience them and further work will be undertaken on this issue during the year. Covid-19 impact has been to impact both the number of cases of anti-social behaviour and limit the ways in which these can be dealt with.

For three years we have monitored unsolicited compliments as a percentage of feedback from customers, as a way of collecting data without surveys.



For the y.e. 31st March 20220 and 2021 the lower guiderail is 85%, upper guide rail 97.5%

(It should be noted that this does not include Quick Resolution issues – where a customer has raised concerns over an issue and we have been able to resolve it quickly without it escalating to a formal complaint.)

Unsolicited compliments are showing throughout the year a consistently strong level of satisfaction and a similar level of stability on the previous year. The small drop off since December corresponds to the issues noted above with the repairs contractor and this had not recovered by the year end – however, although not recorded here the %age of positive feedback increased to 94% in April.

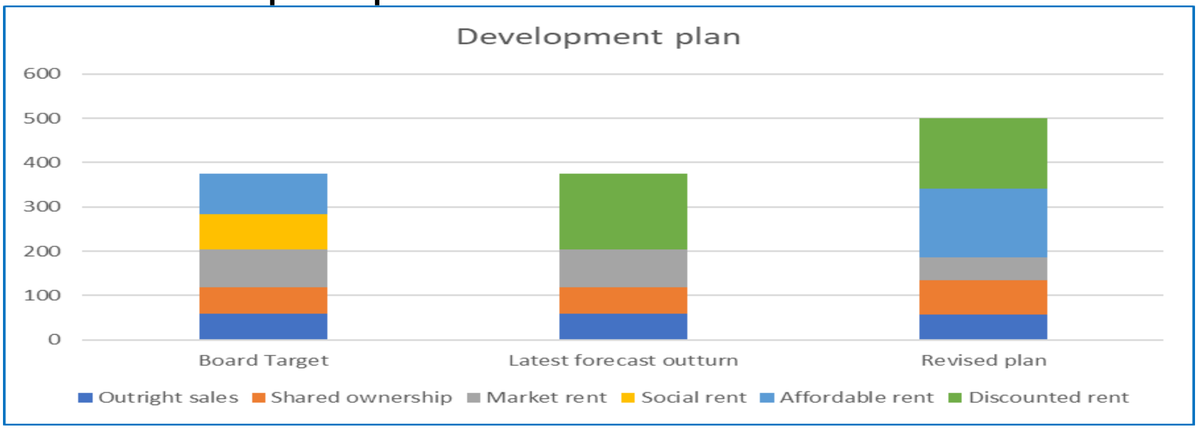
Report (continued)
Value for Money Report (continued)

F) Commitment to our community – Our why "To realise the potential of our communities" Corporate objectives: Building Thriving Communities, Increasing Our Investment

Bringing it back to the way we engage with the community, we do this in a number of ways including members' surveys, job fairs, pop-up business schools, a community morning where the whole staff team engage in various community support projects, engagement weeks with the customers and families and through a Christmas market where we encourage some of the local small business start-ups, helped through our pop-up business school, to participate. We work to develop partnerships locally through our Community and Volunteering team and will be expanding that in future through our recently employed Community Potential Specialists. In the Covid-19 crisis the work done to keep residents safe demonstrated our commitment to our community.

The most important way in which we are showing this commitment however is through our development programme (see also metrics 1 and 2) and through the development of new ways of supporting people's life ambitions (see G below "the future").

Metric F1: Development plan



Our mixed tenure development plan, approved by the Board in 2016, is for a sustainable development of 375 new homes over a number of sites. This was due to be completed by March 2022 subject to planning permission. The intention and financial commitment to develop is expressed in Metric 1 - Reinvestment and Metric 2 - New Supply Delivered. The plan mix allows us to cross-subsidise homes at lower than market rental (social, affordable, discounted) and shared ownership homes to enable a sustainable development plan. This means that we will have resources once we have completed the current plan to continue to develop in the future.

During the last financial year the plan was reviewed and a revised plan for the initial development of 500 homes was approved (following the approval of a revised development strategy in 2018). The timescale for completion is extended to March 2023. This plan also has within it a further pipeline of 120 homes per year for the following five years – to March 2028.

Report (continued)

Value for Money Report (continued)

Under the new plan some homes built for subsidised rental will be transferred to our new unregulated subsidiary, Twenty11, where a more flexible rental of between 50% and 70% of market value will be applied - dependant on the household's income. (see below - G the Future). At present however, some homes under this plan purchased as S106 homes will stay in Red Kite as affordable homes.

Overall in the revised plan 314 or 500 homes will be subsidised rental homes (affordable or discounted rent) and a further 79 homes will be offered as shared ownership homes.

G) The Future - Twenty11

Corporate objectives: Knowing Our Customers, Building Thriving Communities, Increasing Our Investment

One of the requirements of the new standard is that Boards should review from time to time whether they have the most effective delivery structure in place to deliver their objectives. Such a review took place in June 2017 building on the "Corporate Journey" and reflecting on the best way to deliver our "Why" and our Corporate Objectives. The conclusion, after asking our customers what was important to them, was that we could do this best by developing a new corporate structure including both a subsidiary to carry out any commercial activities on Red Kite's behalf (Pennvale) and a new charitable subsidiary to provide subsidised or discounted housing with the same objectives as Red Kite, but as an unregulated housing provider (which is called Twenty11 (Homes) Ltd).

Setting these subsidiaries up has necessarily been a long process, after an options appraisal using the Form Follows Function toolkit and extensive consultations with our residents, Wycombe District Council, the Regulator and the MHCLG (then DCLG).

In September 2018 Twenty11 let its first home to a tenant. After a 6 months initial pilot the two Boards reviewed the evidence for the success of Twenty11 and agreed that it was strong enough to allow Twenty11 to continue into a full trial phase of two years. Red Kite have commissioned Sheffield Hallam University to develop measures giving independent analysis of Twenty11's success against its objectives in this period and we will look to supplement the chosen measures based upon external data provided as this study matures. For the present however, at this very early stage we have selected two measures which can give us an early indication of success or otherwise.

The first measure relates to the Tenant's Sustainability licence (TSL). Every Twenty11 tenant receives a TSL and starts points of 100. Positive points are awarded for actions such as taking out contents' insurance, volunteering in the local community, engaging with the Community Potential Specialist to capture a Personal Success Plan; negative points for Anti-Social Behaviour or for going into arrears on their tenancy. As such it is a good early gauge of whether we are successful in influencing the factors that affect tenants and support them in achieving their potential. The measure chosen is average points on the TSL. As at March 2019 this stood at 102.9, an early small indicator of success. The guide rails set for this measure for 2019-20 are a lower guide rail of 97 and an upper guide rail of 105.

Report (continued)

Value for Money Report (continued)

The second measure used has been arrears ratio. This compares arrears as a percentage of rental debit over a given period to that of Red Kite General Needs customers over the same period. Twenty11 did not become active until September 2018 so the period of 6 months has been chosen. This will be measured on a rolling basis. The ratio as at 31st March 2019 was 0.84 which indicates that the process of matching rent to affordability in Twenty11 is effective. The guide rails set for this measure in 2019-20 were for lower guide rail of 0.80 and an upper guide rail of 1.1. Using this measure, we determined that the arrears ratio actually overachieved its lower guide rail with a result of 0.46. However, comparing like with like has been very difficult due to the different maturity of tenancies so going forward this measure will be replaced by the average rent as a %age of market value with a target of achieving the business case estimated %age (63.4%) and guiderails of 60% and 68% respectively.

We will continue to review the suitability of these measures as more data becomes available on Twenty11 through the pilot and may supplement them with measures derived from the work carried out by Sheffield Hallam University on our behalf.

Regarding Pennvale, after a trial period in which we were unsuccessful in breaking into the private lettings market, the Board of Pennvale agreed to suspend activity in this respect during the year. It would not therefore yet be appropriate to set a measure for Pennvale as it is currently not engaging in commercial activity of behalf of the group. Pennvale will continue to be a vehicle for letting our own market rental properties as these come on to the market and also will be the vehicle for any future commercial ventures. The quick decision to suspend the private rental experiment was made in the interests of Red Kite to protect its assets and minimise losses beyond an initial figure agreed by the Board.