Red Kite Community Housing Ltd

Value for Money Report
2021

Extract from the Annual Report and Accounts
For the Year Ended 31st March 2021

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 2020 to 31st March 2021. 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, reviewed and confirmed a new set of Red Kite metrics going forward in light of the publication of our new Corporate Journey which will be used in 2021-22 and will be reported on in next year's 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 2020 for comparative purposes. They are therefore 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 2021. We have also included, from that plan, the forecast figures for the years ending 31st March 2022 to 2026 (the first year being based on the approved budget).

For benchmarking we have used the VfM metrics 2020 – published by the Regulator based on sector wide accounts where available or Sector Scorecard 2020 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.

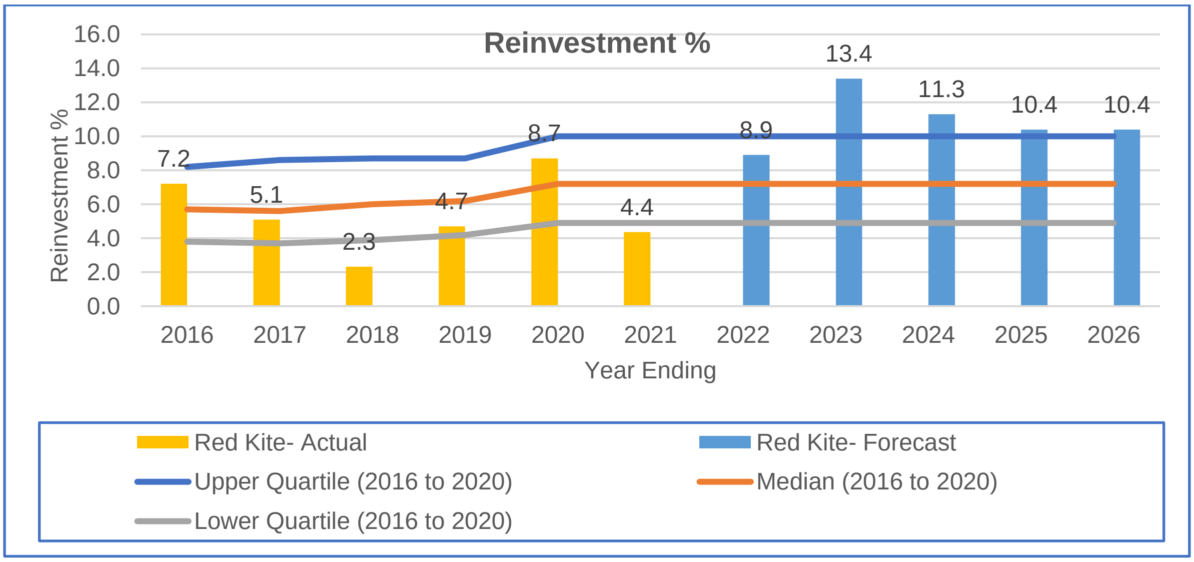
Targets have been set for the standard metrics based on budget with guide rails either side. The principle of using guide rails is that where metrics (either VfM or corporate performance) are outside the guide rails, this triggers a mitigating action and a review by Board or a designated Board Committee.

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 8.9%, Lower guide rail 8.0%, Upper guide rail 9.3%

The benchmark quartile figures are taken from the sector scorecard figures for the year to March 2020 (the latest figures available) with actual comparatives for the years ending 31st March 2017 to 2021.

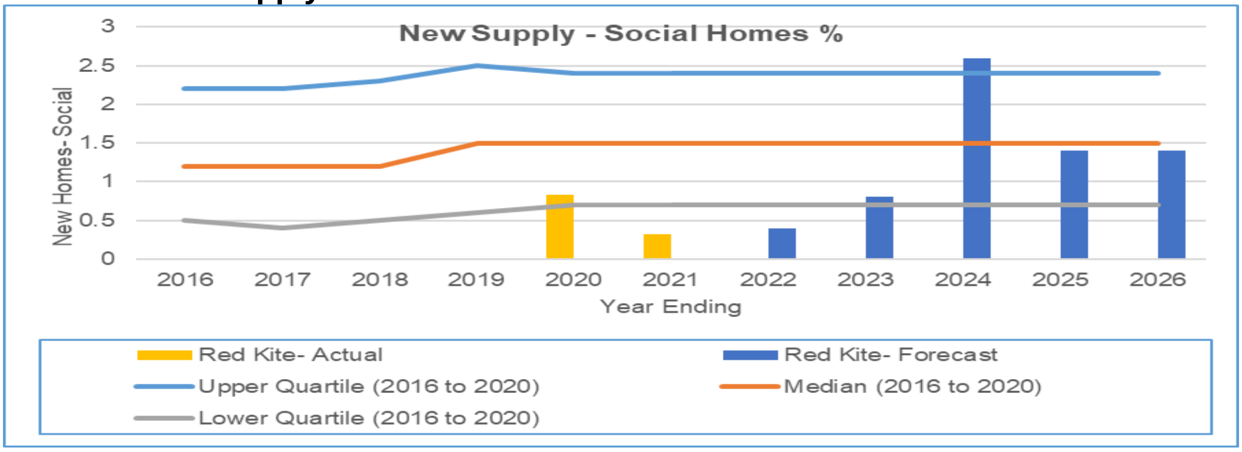
The metric, which is on a group basis, reflects delays in our development programme which has been due to difficulties in obtaining planning permission; the impact of which is to push the plan out to March 2023 and includes the plan to build 120 homes per year for the following 5 years. Nevertheless, the increase this year shows 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 to 2026. It takes into account both capital investment in our existing homes and investment in new homes. Investment has been lower than expected this year due to delays in planning permission but is between the median and upper quartile next year but is forecast to increase to above the top quartile after that.

Strategic Report (continued)

Value for Money Report (continued)

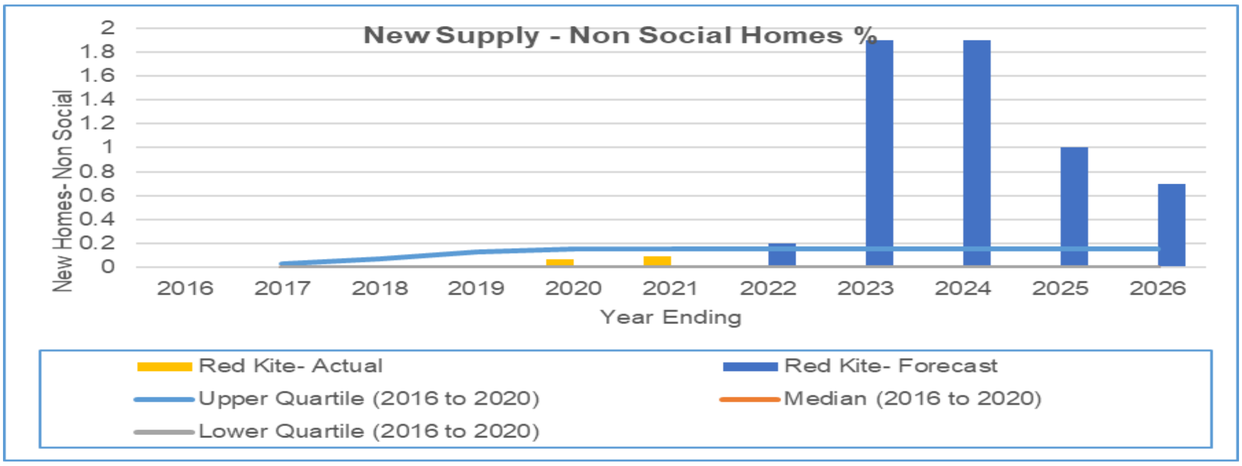
The business plan reflects the approved development strategy to develop initially a maximum of 500 and thereafter a further 120 homes per year for the following 5 years and the metric shows this in the forecast.

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 2022 is 0.4%, Lower guide rail 0.32%, Upper guide rail 0.39%



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

Budget for y.e. 31 Mar 2022 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; a significant part of the development programme being included in the second graph.

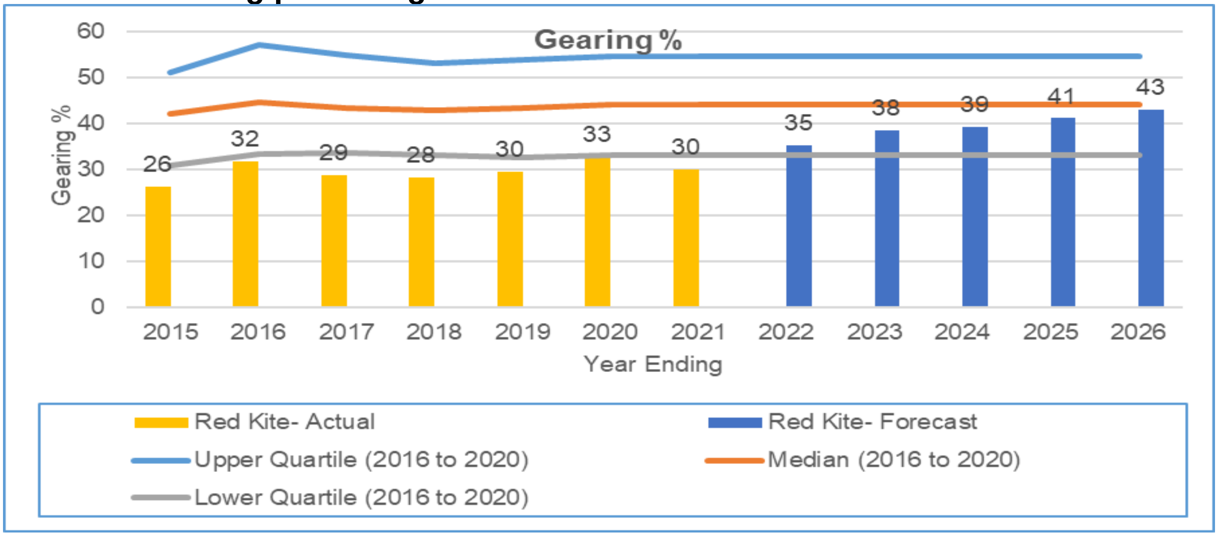
Whilst there is very little supply which is planned to be delivered in the year to 31st March 2022 this is largely a timing issue due to delays in planning. There were a number of homes delivered in 2021 and the programme is indicating a strong supply of new homes in the following financial years as schemes get built out.

Strategic Report (continued)

Value for Money Report (continued)

The supply of new social homes in the year ending 31st March 2021 was at a higher level than budgeted in part due to S106 homes needing to be developed in Red Kite.

Metric 3: Gearing percentage



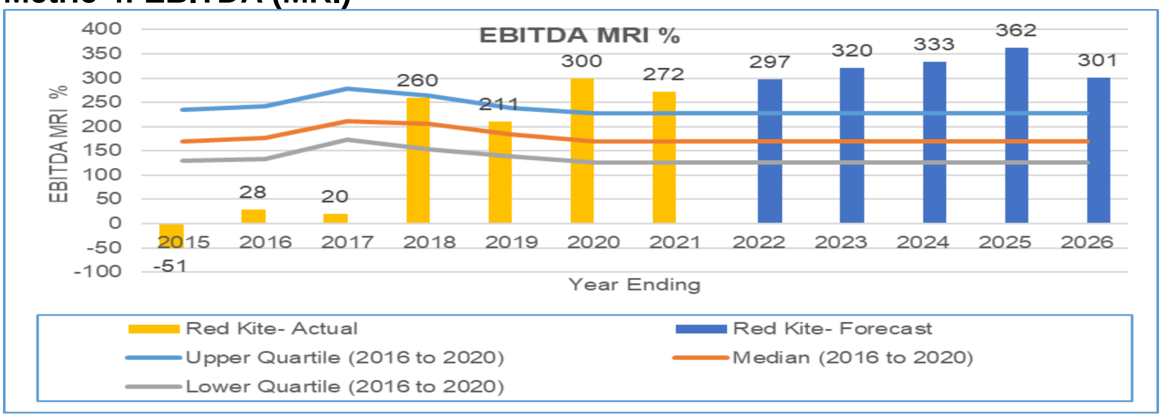
(Net debt/Value of Homes at period end)

Budget for y.e. 31 Mar 2022 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. Per our financial covenant gearing should not exceed 60% and our golden rule sets a maximum level of 55% 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 2022 is 297%, Lower guide rail 282%, Upper guide rail 341%

Strategic Report (continued)

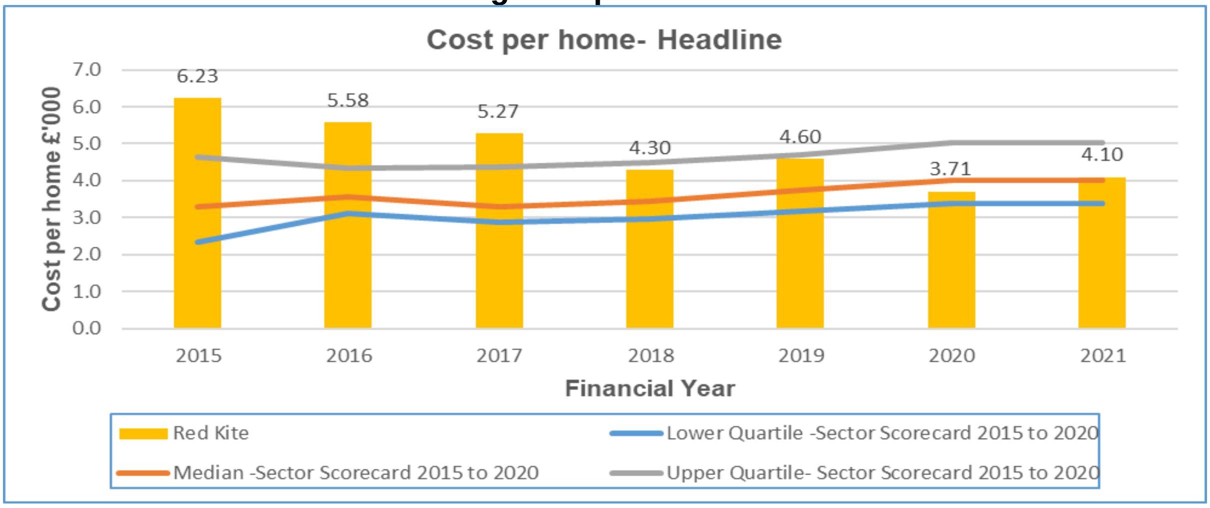
Value for Money Report (continued)

A key performance measure for funding, EBITDA (MRI) achieved and forecasted, is comfortably above our covenant ratio of 110% 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 four years cost per home has decreased significantly and for maintenance and service charge costs we are at median or below.

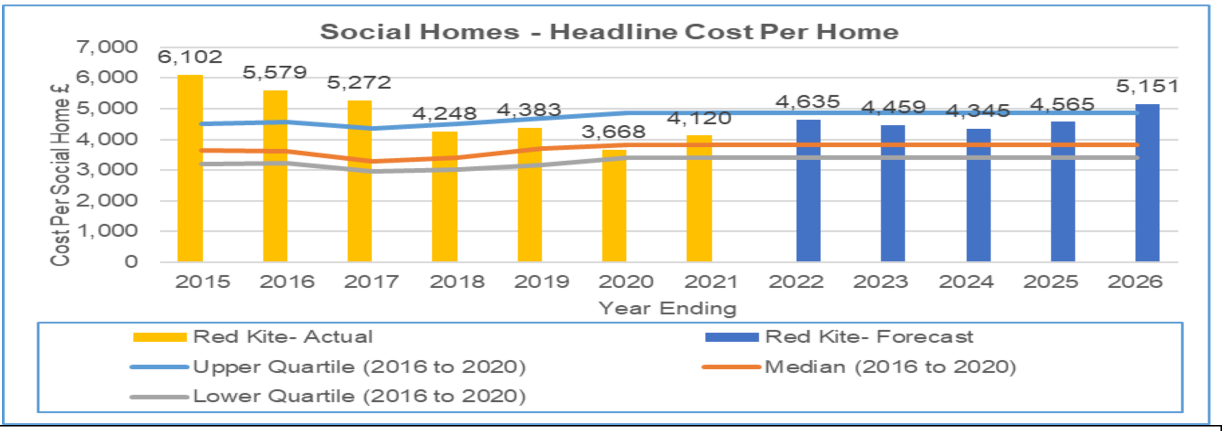
Management cost increased this year but was still at budgeted level and below sector top quartile. Investment in our homes (itself still higher than sector top quartile) which fell last year has stayed at a comparable level this year. Consequently, our overall cost per home is at sector median levels. 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 2022 reflects the relatively conservative approach to budgeting. Actual cost achieved was lower than budget this year.

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.

Strategic Report (continued)

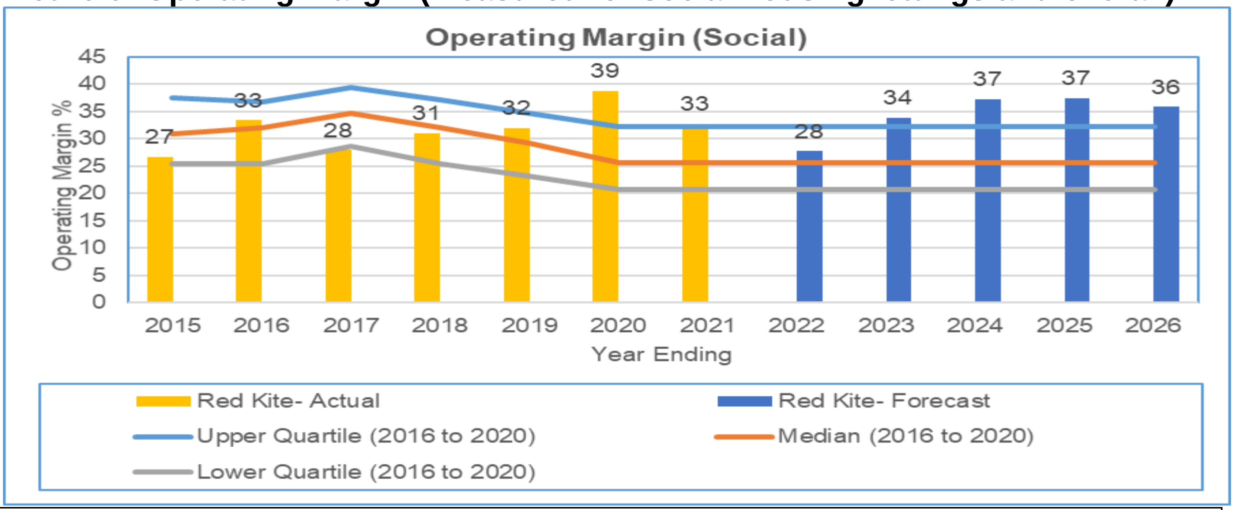
Value for Money Report (continued)

Looking forward, using comparative data from the Sector Scorecard (see below), we are forecasting cost per home to be relatively stable around the level achieved in 2019 until 2026 when a significant component replacement programme will increase the cost in that year. 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 2022 is £4,635 Lower guide rail £4,172 Upper guide rail £4,867

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



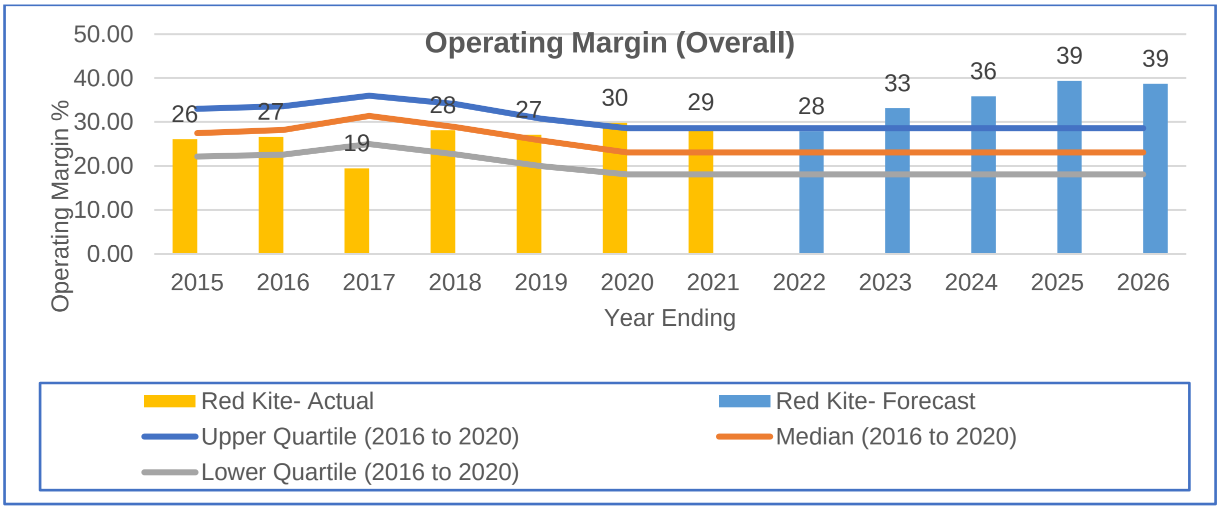
Budget for y.e. 31 Mar 2022 is 28%, Lower guide rail 26.6%, Upper guide rail 32.2%

Our operating margin – social housing is around the upper quartile level and is predicted to decrease slightly in the year to March 2022, although the result reported this year was stronger than expected.

We are forecasting an improvement to upper quartile 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.

Strategic Report (continued)

Value for Money Report (continued)



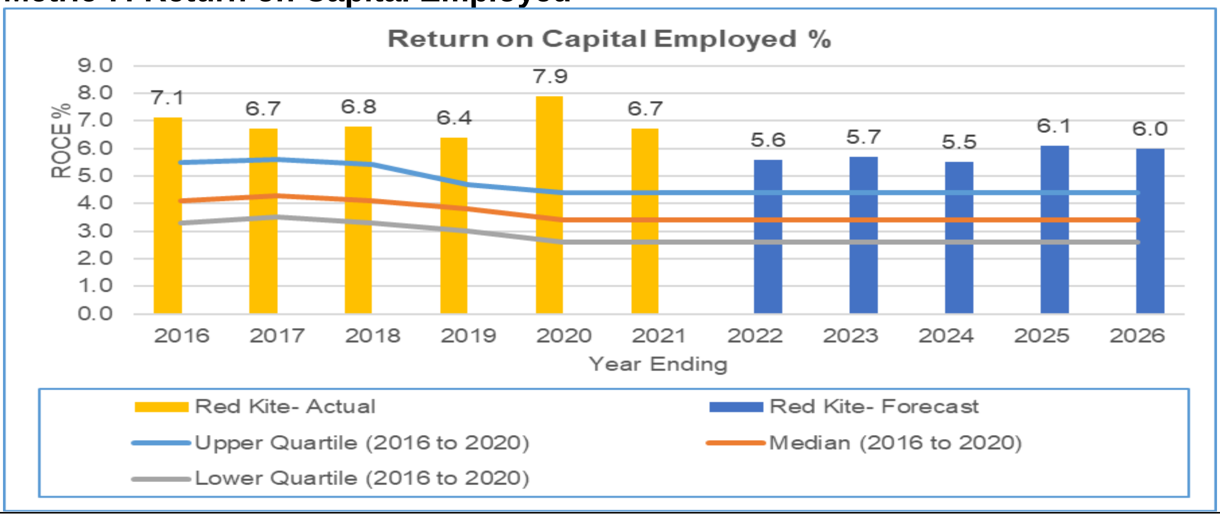
Budget for y.e. 31 Mar 2022 is 28%, Lower guide rail 26.6%, Upper guide rail 32.2%

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

The decrease in the level of operating margin from in 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 onwards.

The strong predicted improvement in operating margin from the year ended 31st March 2023 reflects both the lower required investment in our homes (still significantly higher than sector average – see Metric C) and the effect of the change in government rent setting policy (from a 1% year on year actual reduction to CPI + 1% from the previous year).

Metric 7: Return on Capital Employed



Budget for y.e. 31 Mar 2022 is 5.6%, Lower guide rail 5.3%, Upper guide rail 6.4%

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.

Strategic 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 in our communities”

Comparison of standard metrics to other local Housing Associations

Current RSH comparative available information is from 2019/20. A detailed comparison is supplied on the next page of current and 2019/20 metrics against a local comparator group. From this we can see the following.

The reinvestment metric (in 2020/21) fell to significantly below the median for consolidated accounts, because in spite of the investment in our current homes this was impacted by the low levels of development investment due to delays in resolving issues around planning. It is however forecast to increase again above the latest median comparator in the year to March 31st 2022.

Gearing and EBITDA(MRI) are both better in most cases than individual comparators) and significantly better than global accounts median for 2019/20. 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 2020/21 is £4,120, slightly higher than the median cost for global accounts for 2019/20, but lower than the sector average. In most cases it is higher than the comparator group. Whilst this shows a slightly higher cost per home the area in which this is most significantly affected is in major repairs reflecting the very significant investment in our existing homes and due to the Red Kite standard being higher than the Decent Homes standard. In future years this difference may decrease depending upon what comes out of legislation on a new Decent Homes standard and the impact of sustainability requirements (Carbon neutral) across the sector.

Operating margin compares very favourably to the median, whether taken overall or as a social housing lettings figure, as does Return on Capital Employed. These are also strong against the comparator group. There is a significant difference between the overall operating margin and that which relates to social lettings as the overall margin includes other items; but this is true also for other organisations.

These very strong financial 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 extended recession) gives us confidence of having the funding to deliver our new Corporate Plan (Corporate Journey) launched on 1st April 2021.

Strategic Report (continued)

Value for Money Report (continued)

RPs selected -->	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 (Consolidated)	Sector average
CPU Year	**2020/21**	**2019/20**	**2019/20**	**2019/20**	**2019/20**	**2019/20**	**2019/20**	**2019/20**	**2019/20**	**2019/20**	**2019/20**
Homes in management	5,604	4,106	5,806	14,096	5,723	6,620	54,716	7,661	5,191	**2,768,098**	2,768,098
Metric 1 - Reinvestment	4.4%	8.0%	5.0%	6.1%	14.3%	9.6%	7.4%	7.6%	10.4%	**7.2%**	7.6%
Metric 2a - New supply delivered (social)	0.3%	1.4%	3.5%	1.8%	7.5%	2.9%	3.0%	0.7%	2.5%	**1.5%**	1.8%
Metric 2b - New supply delivered non-social housing units	0.15%	0.00%	0.00%	1.12%	0.61%	0.05%	0.05%	0.00%	0.16%	**0.00%**	0.31%
Metric 3 - Gearing %	30.0%	66.4%	51.7%	55.7%	60.7%	40.4%	46.8%	39.3%	46.6%	**44.0%**	47.7%
Metric 4 - EBITDA (MRI)	272.0%	234.3%	137.6%	133.1%	201.5%	132.8%	211.2%	287.4%	188.0%	**170.0%**	137.8%
Metric 5 - Headline social housing costs per unit	£ 4,120	£ 3,553	£ 3,654	£ 3,998	£ 6,934	£ 5,206	£ 3,498	£ 3,836	£ 3,680	**£ 3,835**	£ 4,249
Median social housing cost per unit	**£ 3,835**	**£ 3,835**	**£ 3,695**	**£ 3,835**	**£ 3,835**	**£ 3,835**	**£ 3,695**	**£ 3,835**	**£ 3,835**		**£ 3,835**
Variance	**£ 285**	**-£ 282**	**-£ 41**	**£ 163**	**£ 3,099**	**£ 1,371**	**-£ 197**	**£ 1**	**-£ 155**		**£ 414**
Variance %age	**7.43%**	**-7.35%**	**-1.10%**	**4.24%**	**80.80%**	**35.75%**	**-5.32%**	**0.03%**	**-4.05%**		**10.78%**
Management CPU	***£ 1,290***	***£ 880***	***£ 1,535***	***£ 525***	***£ 1,047***	***£ 1,495***	***£ 1,346***	***£ 1,312***	***£ 1,699***	***£ 1,062***	***£ 1,068***
Service charge CPU	***£ 380***	***£ 345***	***£ 407***	***£ 417***	***£ 746***	***£ 479***	***£ 276***	***£ 239***	***£ 248***	***£ 441***	***£ 662***
Maintenance CPU	***£ 1,050***	***£ 1,435***	***£ 1,230***	***£ 1,462***	***£ 763***	***£ 740***	***£ 1,109***	***£ 1,348***	***£ 727***	***£ 1,107***	***£ 1,162***
Major repairs CPU	***£ 1,800***	***£ 727***	***£ 372***	***£ 449***	***£ 515***	***£ 2,355***	***£ 663***	***£ 938***	***£ 762***	***£ 813***	***£ 888***
Other social housing CPU	***-£ 400***	***£ 167***	***£ 110***	***£ 1,145***	***£ 3,863***	***£ 137***	***£ 104***	***£ -***	***£ 244***	***£ 238***	***£ 468***
Total	***£ 4,120***	***£ 3,553***	***£ 3,654***	***£ 3,998***	***£ 6,934***	***£ 5,206***	***£ 3,498***	***£ 3,836***	***£ 3,680***		***£ 4,249***
Metric 6a - Operating margin (SHL) %	32.7%	42.5%	33.6%	44.1%	33.3%	21.4%	34.8%	23.5%	31.6%	**25.7%**	27.8%
Metric 6b - Operating margin (Overall) %	28.8%	39.8%	33.8%	32.4%	29.8%	23.3%	30.8%	24.3%	31.0%	**23.1%**	22.1%
Metric 7 - Return on capital employed (ROCE)	6.7%	8.9%	2.6%	3.1%	3.3%	2.5%	3.3%	3.6%	3.4%	**3.4%**	3.2%

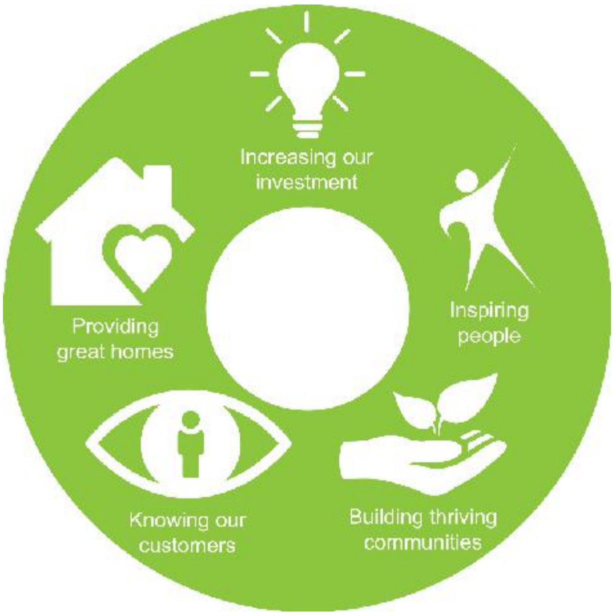
Strategic Report (continued)

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. The metrics set in the last fiscal year relate to the Corporate Journey set by the Board in 2016 Each metric is referenced to relevant corporate objectives. To distinguish the Red Kite Metrics from the standard Metrics they are numbered alphanumerically.

"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



During the year the Board reviewed its Corporate Journey and concluded that 1st April 2021 was an appropriate time to launch a new Corporate Journey. Whilst this builds upon the previous journey it also looks to the new direction which the Social Housing White Paper has given in terms of resident engagement and also to Government initiatives which will become increasingly important such as Zero Carbon and the indication that the Decent Homes Standard will be enhanced in the future.

This report reports on our achievement against the measures set by the Board for the year to 31st March 2021 (so relates to the old Corporate Journey) but it also notes that a new set of measures will be needed for the year to 31st March 2022 (reflecting the New Corporate Journey). These measures considered by the Board in its meeting of 12th May 2021 and confirmed by the Finance Committee in its meeting of 23rd June 2021 will be included in the revised Strategic Approach to Value for Money to be approved by the Board at its meeting of 15th July 2021 and will be reported on in next year's report.

Strategic Report (continued)

Value for Money Report (continued)

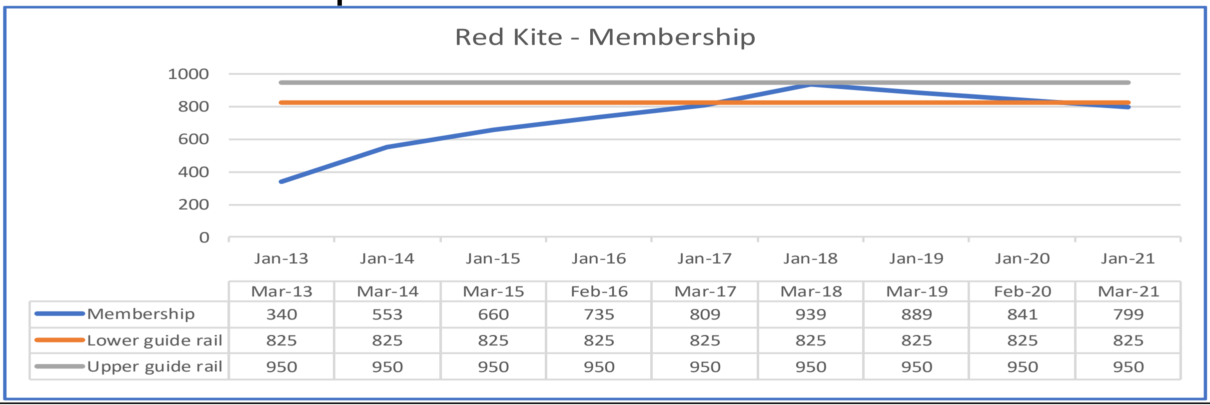
The Board set guide rails in May 2019 for Red Kite defined measures and these were reviewed in 2020 by the Finance Committee (delegated to do so by the Board) and as reviewed are noted below.

Red Kite measures				
KPI No	**Description**	**Lower Guide rail**	**Upper Guide rail**	**Corporate objective**
A1	Membership	825	950	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 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 y.e. 31 Mar 2021 Lower guide rail - 825, Upper guide rail - 950

Strategic Report (continued)

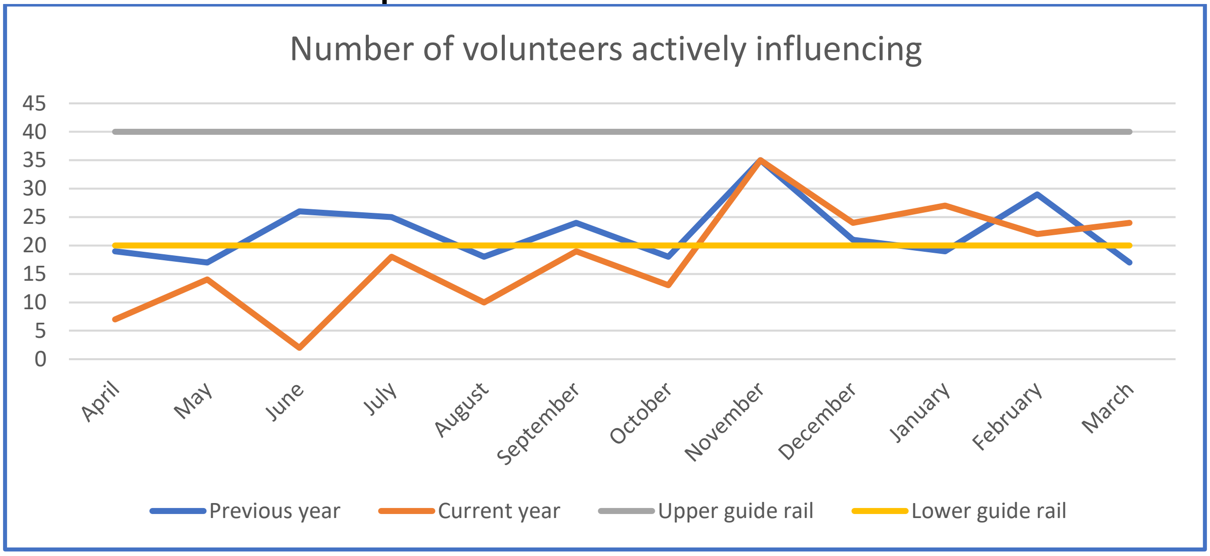
Value for Money Report (continued)

As a tenant led organisation, we have an open membership and encourage tenant participation in decision making.

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. We currently do have an issue about which we will need to consult residents and on which we will require a vote from members at the AGM. This may be an opportunity to promote the benefits of membership.

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 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).

At the beginning of this year this number fell below the lower guide rail as it was impacted by the pandemic and difficulties with engaging with tenants whilst the county was in lockdown. We saw this trend begin at the end of the last financial year and anticipated that it would take time to react to this challenge. However, as the numbers show, by November the numbers had increased and have remained within the guide rails since then. This is due to the hard work of the new Head of Resident and Community Engagement and her team, strengthened strategically as a priority of our Board, working together with our Residents Representative Team. Some areas remain a challenge but overall we believe we are in a good place as we return to a new normality to continue to strengthen this area for which we launched a new customer engagement strategy during the year.

Strategic 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% when measured in 2019; unfortunately, we did not see a further improvement when measured last summer and the result of 60% is a further slight decline. Whilst the previous improvement showed that we had addressed some of the issues raised by staff this clearly signalled that we had more work to do. The most important measure during the year was the introduction of an Empowerment and Escalations policy which has gone some way to addressing concerns about whether some staff felt empowered.

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	£1,292	£1,163	£1,357
Maintenance	£1,052	£947	£1105
Major repairs	£1,803	£1,623	£1893
Service charges	£382	£344	£401

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.

Strategic Report (continued)

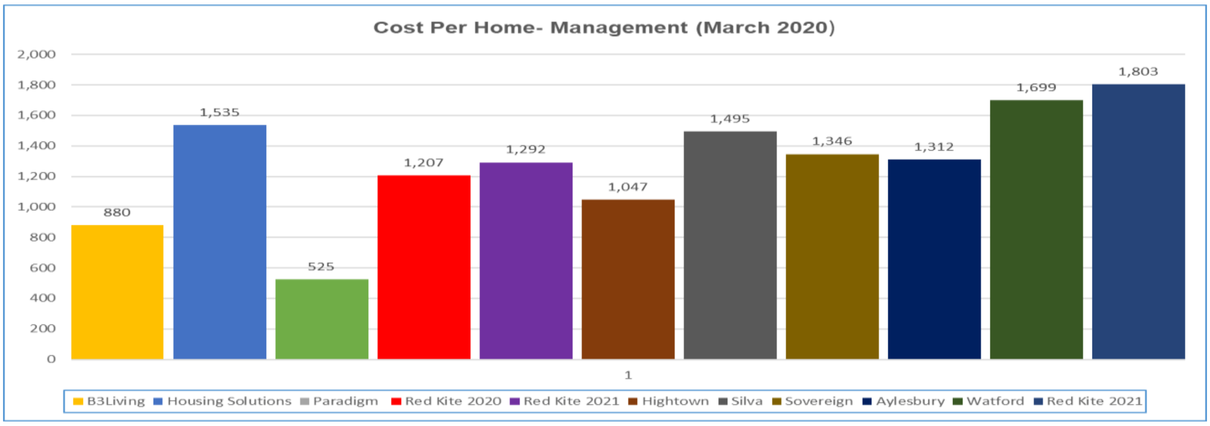
Value for Money Report (continued)

When broken down to its components it is clear that, whilst overall cost per home has come down, 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 in the last two years. The Board have agreed an increase in the number of staff for the last two years to cope with our ambitious work programme and increased demands from residents. The sector is also seeing salary growth for some roles, as the sector competes for scares skills. So this is a trend throughout the sector as is seen by the increased sector median. The cost remained within our guide rails and lies between sector median and upper quartile.

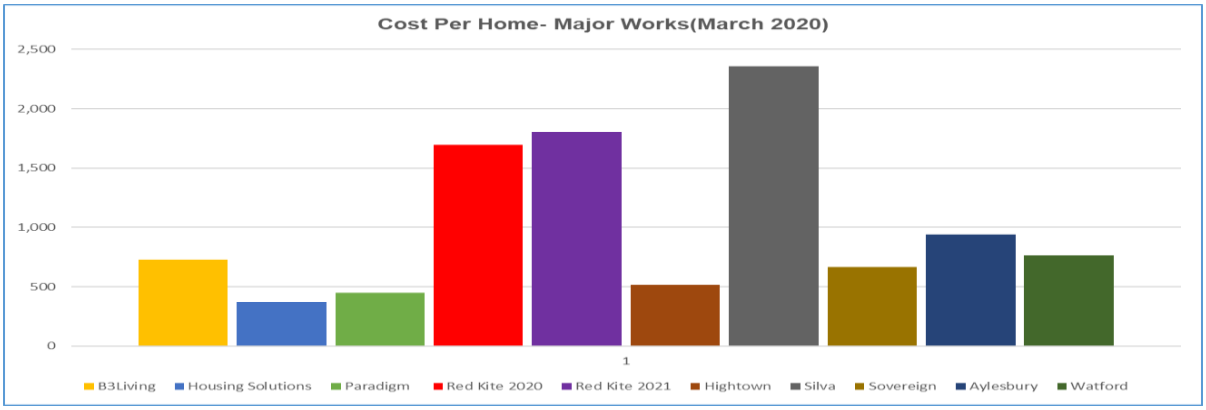
Major repair cost swamps the other parts of the overall cost per home calculation. It came down very significantly in the year to March 2018 as we completed our promises in the stock transfer in December 2016 and has remained at a lower level though still high compared to the sector. However, this is based on a conscious decision on the Board's part to invest in our existing homes to the Red Kite standard alongside improving thermal performance, 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 2020) is also illuminating.



Strategic Report (continued)

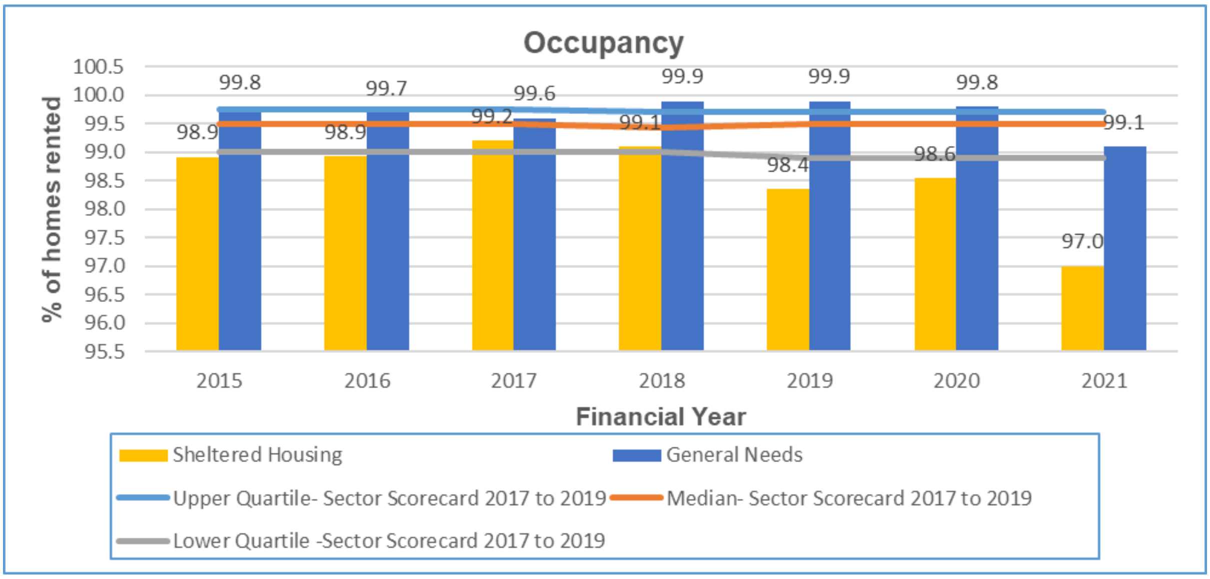
Value for Money Report (continued)



We are investing significantly more in our existing homes in improvements (major repairs) compared to most of our comparator organisations 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.

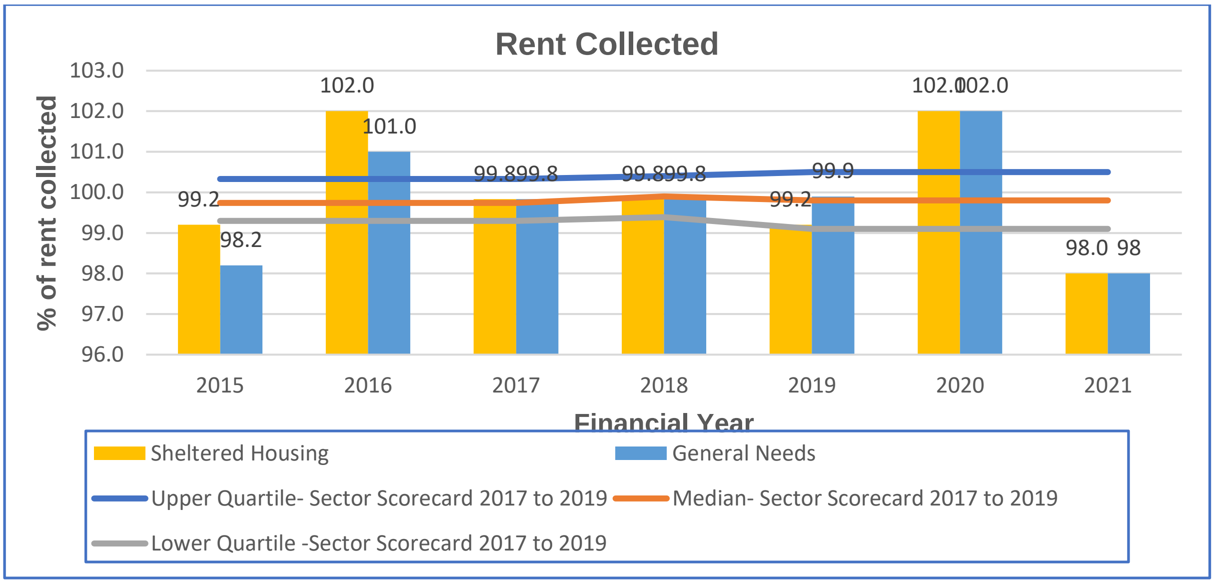
Providing Great Homes

Metric D1 and D2 - Occupancy level and rents collected



Strategic Report (continued)

Value for Money Report (continued)



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%

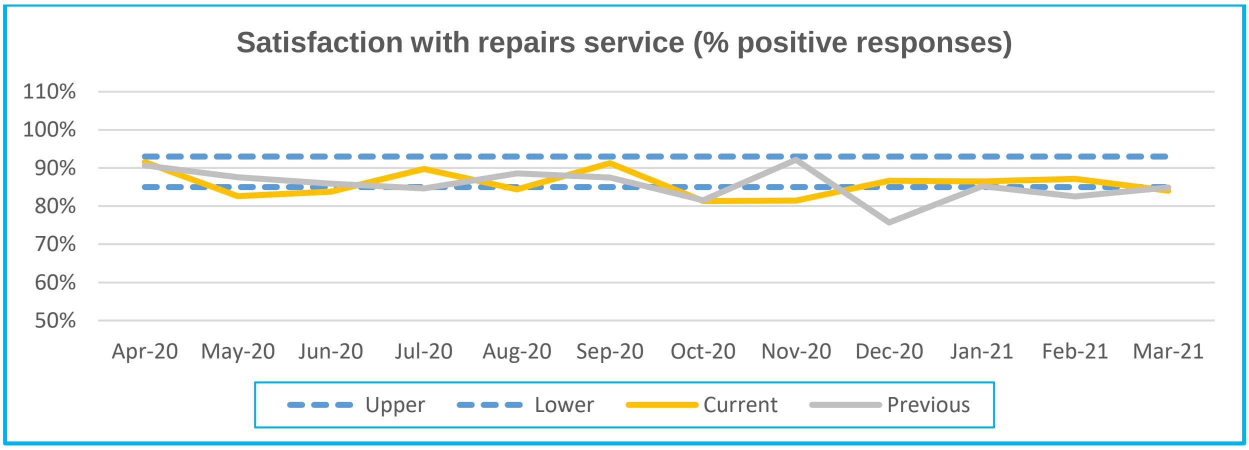
We monitor occupancy rate and rents collected to measure the effectiveness in providing homes to our customers. The benchmark figures are taken from Sector Scorecard information and relate to general needs homes only.

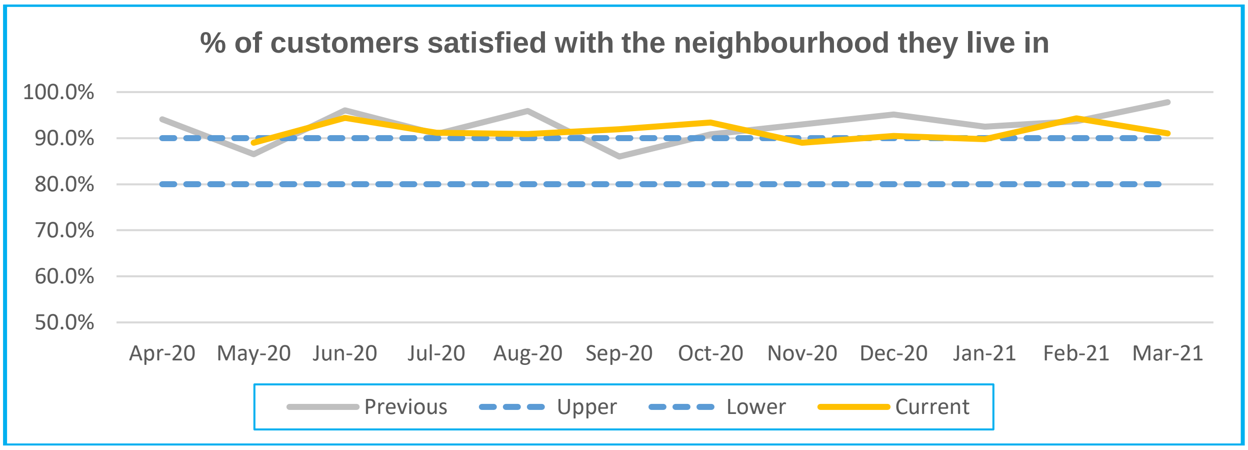
We target maximising our occupancy levels and rents collected and pay attention to any decrease. The rent collected was lower than our historical performance and a key influence has been the increased number of tenants transferring to Universal Credit during the year and the challenge that government measures such a furlough and preventing challenge in court for arrears has placed upon us. We have reflected this in our Business Plan assumptions going forward which are prudent and whilst the latest government initiative (the Breathing Space scheme) could impact further on this and will be monitored carefully we have tested our assumptions against that risk.

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. A second sheltered housing review will be needed to address this issue going forward.

Knowing our Customers

Metric E1: Customer satisfaction





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

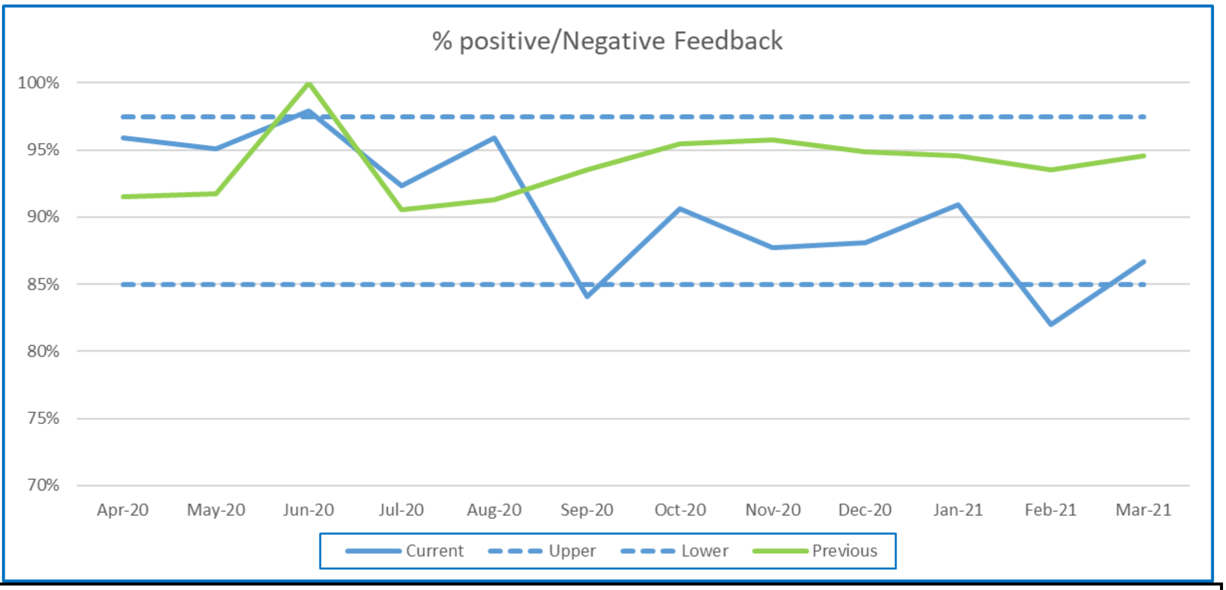
The two most important issues, according to customer feedback, are repairs and anti-social behaviour. The measures above are indicators of our success in dealing with these issues (the second one considers feedback across all neighbourhoods). The two metrics' guide rails are set by Board as part of our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

Satisfaction in repairs has oscillated around the lower guide rail this year; this is monitored and addressed where this decreases with the contractor. 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 has been affected by the pandemic having an impact both on the number of cases of anti-social behaviour and in limiting the ways in which these can be dealt with.

Strategic Report (continued)

Value for Money Report (continued)

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 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.)

Whilst generally within the guide rails in the latter part of the year we have noted fewer unsolicited compliments and this has brought this indicator down, occasionally dropping below the guide rails. Whilst this is being monitored it is at this stage difficult to see whether this is affected by the general change in society due to the pandemic and it will be important to review this as we return to a new normality.

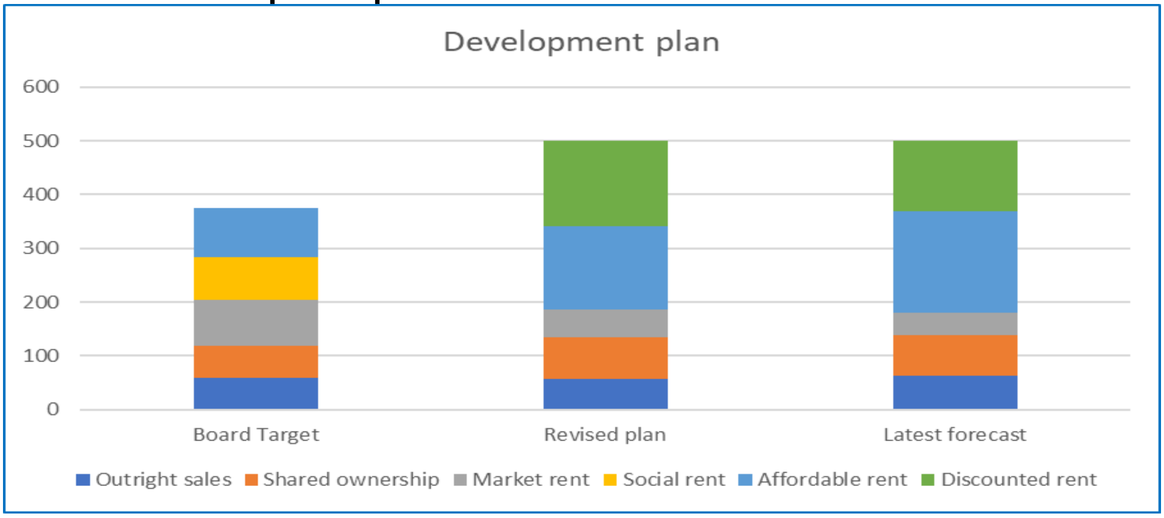
Commitment to our community – Our why "To realise the potential of our communities" Corporate objectives: Building Thriving Communities, Increasing Our Investment

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

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").

Strategic Report (continued)
Value for Money Report (continued)

Metric F1: Development plan



Our mixed tenure development plan, approved by the Board in 2016, was for a sustainable development of 375 new homes over a number of sites. 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 financial year to March 2019 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. This is reflected both in the Business Plan and in the New Corporate Journey.

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 80% 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 (latest forecast) 320 or 500 homes will be subsidised rental homes (affordable or discounted rent) and a further 76 homes will be offered as shared ownership homes.

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.

Strategic Report (continued)

Value for Money Report (continued)

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 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 this subsidiary 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. Due to issues around the pandemic the trial period has been extended to December 2021. Red Kite have commissioned Sheffield Hallam University to develop measures giving independent analysis of Twenty11's success against its objectives in this period. This is complex but will be used to determine the success or otherwise of Twenty11 in its trial period.

Currently for the purpose of this report we have chosen to measure the success of Twenty11 internally through two measures. 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 2021 this stood at 102.0, an early small indicator of success. The guide rails set for this measure for 2020-21 are a lower guide rail of 97 and an upper guide rail of 105.

The second measure used has been changed this year by the agreement of the Board from the previously used arrears ratio to the overall yield in comparison to the Twenty11 business case yield.

The results against these measures are noted below:

KPI No	Description	Lower Guiderail	Upper Guiderail	At 31st March 2021
G1	Twenty11 – average Tenancy Sustainment Licence Score	97	105	102.0
G2	Twenty 11 – discounted rental as a %age of market rental	60%	68%	69%

Strategic Report (continued)

Value for Money Report (continued)

In the case of Tenancy Sustainment licence this continues to be a strong result, itself a measure of the positive way in which tenants have responded to being Twenty11 tenants. The business case for Twenty11 depended upon an average yield of 64%. It can be seen that this has been more than maintained and in fact is slightly higher than the upper guide rail. This yield is expected to go down as more tenants improve their circumstances, come off benefits and qualify for an income based discounted rental. Again, the speed at which this is happening is impacted by the pandemic.

The next Corporate Plan

The Corporate Plan upon which the Board Defined Measures were selected was based upon the plan approved in 2016. As noted above a new plan which builds on the old plan has been put in place running from April 1st 2021. The Board will approve a new set of additional measures at its meeting of 15th July 2021 and these will be incorporated into the Corporate Strategy. The report for the following year will therefore report on these measures (and not the ones noted above).